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BUSINESS WEEK

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Underwood & Underwood

BIGGEST—Britain's bid for maritime supremacy prepares to leave the quiet Clyde for the competition on the Atlantic.

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Washington Bulletin

WASHINGTON *(By Business Week Staff Correspondents)*—General Johnson's retirement means more than the passing of a gallant, colorful figure from a stage which he dominated for 16 months. With him disappears the last champion of the idea of industry-government cooperation. Behind him he leaves a disorganized group of 3,000 employees, their efficiency destroyed by the confusion of 500 codes, by NRA's delayed and uncertain enforcement, by the pyramided defeats of NRA in its labor relations.

Now comes the reorganization which the President said this week was to be an "evolution." There are to be firm policies set. Price-fixing will be scrapped, but open price provisions will be retained. The service codes and the Blue Eagle ballyhoo will disappear.

> ***THIS WEEK***
>
> ***Broad implications of General Johnson's retirement.***
>
> ***Some forecasts for NRA.***
>
> ***"Reactions," "inhibitions," and Presidential views of business.***

Some Early Objectives

First objective will be to eliminate administrative mistakes and prove quickly to Congress that the Administration is capable of making the "laws merchant" for industry by Presidential decree—with or without help from business. The new policy committee is now to come largely from business. This revives the "board of trustees" idea which General Johnson killed.

Compliance will be handled by a judiciary set up, perhaps a branch of the Department of Justice (which does not want it). Trade practice provisions will be revised, surely with the advice if not the domination of the Federal Trade Commission. Labor relations promise to be transferred bodily out of reach of business control by a labor law which Congress inevitably will enact.

Still Toward the Left

Strong evidences of a continued Rooseveltian turn to the left were manifest on the President's return to Washington. He not only stood for a greater governmental control of business, as manifested in the Richberg-Perkins victory over Hugh Johnson, but also sneered at apprehensive business men in general and the U. S. Chamber of Commerce in particular.

Asked his reactions on business conditions, he commented dryly that he had fewer "reactions" than most business men, and considerably fewer "inhibitions." Which is by way of saying that he does not sympathize with their concern, as voiced by the Chamber over further fluctuations in the currency, further government competition with private industry, and further encouragement of labor disorders.

The President is extremely cocky. He has construed not only the Maine election but also the Massachusetts primary as a mandate to go further with the New Deal—further left.

Mr. Roper Reassures

In sharp contrast Secretary Roper's Cincinnati speech this week said to business men in effect, "Calm yourselves; the New Deal does not intend to make permanent all of these things of which you complain." Thus one New Dealer confesses that business needed to be reassured. But the reassurance, in Washington view, does not carry full conviction.

The Tree Belt Dies

Comptroller McCarl this week told the Administration that the President's shelter belt of trees could consume not more than $1 million under existing appropriation restrictions. This was not a shock nor a repudiation of the President, quite the contrary. It gave Roosevelt an "out" by which to escape from the unworkable tree plan which even when announced was known by forest experts to be impossible of execution.

Price-Fixing Retreat

Demise of price-fixing as a feature of NRA codes is hastened by the movement in the lumber industry to abandon minimum cost protection schedules, at a meeting in Chicago Oct. 3. One after another, producers and dealers have bolted the minimum prices until the very attempt to maintain a stable price structure has resulted in demoralization. The industry's step is a significant repudiation of price control which was so ardently sought by many code-makers in NRA's younger days. Wise heads in the lumber industry have pinned their hope from the start on production control. It can be enforced, and in final analysis it is the only rational form of price control.

Home Mortgage Plans

Rules and regulations for FHA's $2 billion home mortgage financing plan were turned over this week for scrutiny of Charles Miller, president, Savings Bank Trust Co., New York, and Mortimer Buckner, chairman, New York Trust Co. Both are sympathetic to the program to reduce the cost of home financing on which the Administration and real estate investment bankers are split. As FHA is an insurance company in the final analysis, careful procedure is essential, but if FHA adopts a policy so conservative as to reconcile the opposition of mortgage institutions there is little prospect that it will make much of a dent in home financing costs.

Stimulating Direct Loans

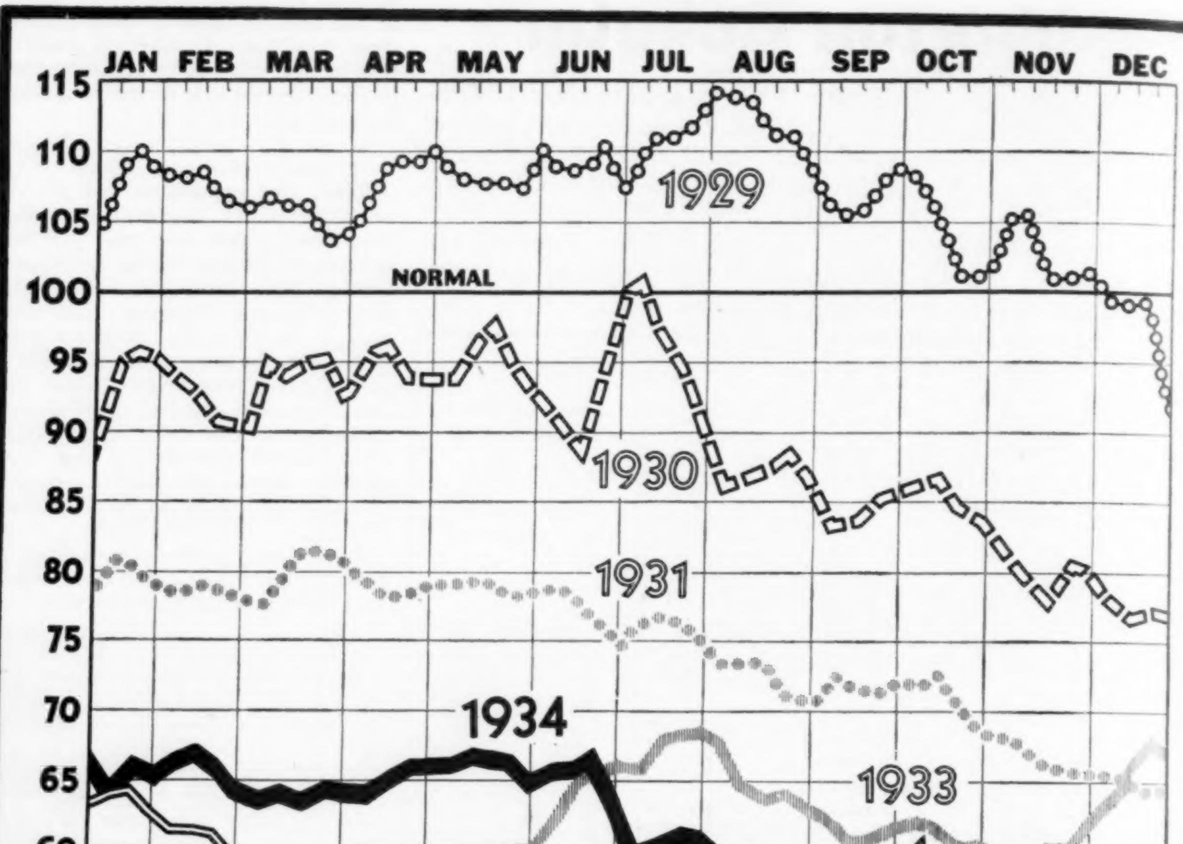
Responsibility for making a success of the RFC direct loans-to-industry campaign has been placed on the shoulders of Ben Johnson, a Shreveport banker, special adviser to the RFC directors for the past 2 years. Sept. 24, only 165 loans had been made for a disappointing aggregate of $12,628,375. If the RFC gets out its $300 million the direct loan machinery must be speeded up. Applicants are being encouraged to appeal from turndowns by regional loan agencies. The corporation has definitely entered the mercantile field. Johnson is convinced thousands of businesses can use more working capital to advantage, since loans can be made on a long-time basis up to 5 years.

Soloist Joins Choir

Borah endorsement of the American Liberty League affords the unusual spectacle of this outstanding soloist joining in choral work. Borah's support is perhaps the most valuable aid yet afforded, since it helps offset the President's attempt to label the league a proponent of property rights against human rights.

Farley Raises Funds

Federal civil employees are being solicited for Democratic campaign funds through quasi-official channels. Secretary Wallace's resentment at this solicitation is evidence of his personal sentiment, rather than of any New Deal qualms of conscience. No one hears Farley denying that funds from such a source are welcome, though of course he does not say they are "expected."



BUSINESS WEEK — WEEKLY INDEX OF BUSINESS ACTIVITY

	Latest Week	*Preceding Week*	*Year Ago*	*Average 1929-33*
BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	*58.0	†57.8	61.3	76.5
PRODUCTION				
★ Steel Ingot Operation (% of capacity)	24.2	22.3	37	45
★ Building Contracts (F. W. Dodge, daily av'ge, thousands, 4-week basis)	$4,501	$4,452	$3,938	$10,039
★ Bituminous Coal (daily average 1,000 tons)	*1,150	†1,191	1,199	1,378
★ Electric Power (millions K.W.H.)	1,631	1,634	1,639	1,661
TRADE				
Total Carloadings (daily average, 1,000 cars)	108	107	110	138
★ Miscellaneous & L.C.L. Carloadings (daily average 1,000 cars)	67	66	68	89
★ Check Payments (outside N. Y. City, millions)	$3,333	$2,995	$3,078	$4,560
★ Money in Circulation (daily average, millions)	$5,430	$5,427	$5,336	$5,077
PRICES (Average for the Week)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$1.07	$1.09	$.90	$.77
Cotton (middling, New York, lb.)	$.128	$.130	$.100	$.106
Iron and Steel (STEEL, composite, ton)	$32.13	$32.14	$30.31	$31.74
Copper (electrolytic, f.o.b. refinery, lb.)	$.088	$.088	$.088	$.099
All Commodities (Fisher's Index, 1926 = 100)	80.2	79.9	71.6	76.5
FINANCE				
Federal Reserve Credit Outstanding (daily average, millions)	$2,469	$2,473	$2,374	$1,667
Loans and Investments, Federal Reserve rep't'g member banks (millions)	$17,756	$17,778	$16,592	......
★ Commercial Loans, Federal Reserve reporting member banks (millions)	$4,704	$4,693	$4,857	......
Security Loans, Federal Reserve reporting member banks (millions)	$3,095	$3,162	$3,703	......
Brokers' Loans, N. Y. Federal Reserve rep't'g member banks (millions)	$745	$796	$825	$2,459
Stock Prices (average 100 stocks, Herald Tribune)	$95.63	$94.11	$99.03	$131.73
Bond Prices (Dow, Jones, average 40 bonds)	$91.62	$90.62	$84.32	$89.08
Interest Rates—Call loans (daily av'ge, renewal) N. Y. Stock Exchange	1%	1%	¾%	3%
Interest Rates—Prime Commercial Paper (4-6 months) N. Y. City	¾-1%	¾-1%	1¼%	2.9%
Business Failures (Dun and Bradstreet, number)	182	199	259	414

* Preliminary † Revised ★ Factor in *Business Week* Index

The Business Outlook

ENDING of the textile strike and resignation of General Johnson from high command in NRA constituted the outstanding developments in the business world at the close of September. On the face of it, these more or less anticipated terminations were received with some enthusiasm by most business leaders, but more careful perusal of the matters undoubtedly left much to be desired.

The Winant report, though essentially cautious in its recommendations in matters of hours, wages, union recognition, and the stretchout, does suggest the possibility of further regulation of industry in the boards which it recommends be established to study controversial points.

Textile Industry Silent

It is significant that the textile industry has largely refrained from commenting on the report, and has been slow in reopening plants. In part this lag may be the natural aftermath of the disruption caused by the strike, or the sluggishness of orders. But union leaders are still vociferous in their charges of lockouts, particularly in Southern plants, and have carried their protests to the President.

NRA Future Dubious

Nor does the President's letter to the picturesque organizer of industrial codes mean that he may not disappear from the Washington scene. NRA is undergoing reorganization. The first phase of the recovery program has been completed; the second phase of polishing and compliance has scarcely begun. Recent consultations of the President with industrial leaders are giving rise to speculation on the probable future leadership which NRA is to secure. In the meantime, there is evident a growing opposition of industry to the codes, and to other phases of the Administration's program.

Congressional Prospects

The trend of affairs in the political circles of California is not likely to give business the kind of assurance it is looking for from the next Congress. Despite the speeches of Cabinet members in favor of continuing the profit system, the legislative program ahead is sure to contain plans for unemployment insurance, pensions, and other social amelioration schemes.

Eyes on Washington

So, despite the fact that fall business is picking up as evidenced by rising steel operations, heavier carloadings, higher stock and bond prices, better employment, quickening retail trade, together with the favorable showing in the recent federal financing operations and the strengthening of the dollar abroad, business sentiment is still inclined to be depressed, to look for encouragement from Washington.

Mr. Ford Saws Wood

Ford is the outstanding absentee from the business groups urging the President to come forward with a dose of confidence inspiration. Perhaps he has reached the conclusion that the type of assurance that is being requested is hardly likely to be forthcoming. Instead of waiting for the "Go" signal from Washington, he has mustered every energy to produce and sell merchandise and has done a good job as his world sales record plainly indicates.

Oct. 1, Important Date

Oct. 1 marks the opening of the annual convention of the A. F. of L. in San Francisco, the beginning of hearings on the proposed increased freight rates, and a possible showdown of cotton garment manufacturers in opposition to the executive order for a 10% cut in hours and a comparable wage increase. The federation's meeting is of interest as a guide to outlining next year's activity, to measuring the strength of the radical rank and file elements. Evidently leaders are not alarmed by this group, having met them before and continued in the usual conservative way. Discussion of vertical unions, urged by General Johnson as well as within the federation, is sure to get a hearing, but not a decision. Increase in paid-up A. F. of L. membership is smaller than expected, rising to 2.6 millions from the 1933 level of 2.1 millions. The new members, many of them being unemployed, have not proved the revenue producers that industry feared.

Rail Men Unite

The railroads, now outfitted with a new organization resulting from the consolidation of two former associations, are preparing to make a more effective defense of their position when legislation or other regulation is proposed for them. Jesse Jones of the RFC startled the roads by suggesting the government should have a place in the newly formed association. Expectation that the roads may win a concession in the way of higher freight rates has already played a part in stimulating steel orders. The roads stand to gain if the threatened strike among merchant seamen on the Atlantic and Gulf Coast breaks in October, in the same way that Western roads gained when the longshoremen struck on the West Coast. It might be well to mention in this connection, that the Far Western states quickly recovered from the effects of that drawn-out struggle, and in August check payments, retail trade, and automobile sales had a comfortable margin over the preceding year instead of the loss registered in July.

Garment Men Split

Ranks of the cotton garment makers opposing the hours and wages edict of the President were broken this week when the Shirt Institute capitulated to the order. About 15,000 employees are involved. Fifteen other groups remain adamant in their opposition.

Packers Grant a Raise

Meat packers made a smart move this week to offset invasion of their industry by organized labor by granting a wage increase that will place wages above the 1929 level. The increase granted by 4 packers will add $10 millions a year to the payroll. Government slaughter of drought cattle boosted activity in packing plants this summer. The increase plus the recent payment of some $26 millions in back pay to Chicago's teaching force should make the Windy City a brighter market this fall.

Price-Fixing Unpopular

Price-fixing in the codes came in for another rap at the recent convention of retailers. Merchants have been hampered in hammering down prices by the many restrictions on sales below cost. In the motor industry, a similar opposition to price restrictions prevails. The hardwood industry succumbed to the threat of losing Fisher Body Corp. business and violated its code price provision. The steel price structure is also threatened by motor makers, narrowly escaping a break last week when 3 Detroit cold-rolled strip companies hastily withdrew their cuts in face of better demand.

There is growing demand for a Detroit basing-point from steel consumers in the Detroit area who would profit thereby, while those outside of the motor center would be placed at a disadvantage.

NRA CODE GRAPHIC ARTS INDUSTRY

BUSINESS WEEK

SEPTEMBER 29, 1934

Business Takes Aggressive

Leading organizations of business men simultaneously undertake to get concrete expressions of sentiment as to New Deal trends.

In the battle over the New Deal, whose front has been tremendously lengthened by the disappointments of the summer slump, the aggressive has now definitely passed from its apologists to its critics. The change was marked this week as leading business organizations seized the initiative in a widespread effort to place the whole muddle of New Deal policies on the stand before the court of public opinion. Some began to ask searching questions, others to announce the results of early polls of the jury.

The Chamber of Commerce of the United States is going over all heads to ask the President for definite answers to a series of questions growing out of what it sees as a lack of confidence among business men who have been comparing New Deal promises with performance. It relates this lack of confidence specifically to heavy federal expenditures, increasing taxes, doubts as to how and when the budget can be balanced, bureaucratic control of business, government competition with private enterprise, increasing labor disturbances, and utterances by Administration spokesmen which "destroy confidence in the security of property and investment" and rouse "grave apprehension for the stability of our government and its financial integrity."

Call for Assurance

The Chamber's questions call for Presidential commitments on budget-balancing, devaluation policy, international exchange stabilization, agricultural policy, and withdrawal from unneeded public works. If favorably answered, they would pledge the Administration to a minimum of government interference with business and swing it away from competition with private enterprise.

The National Association of Manufacturers is going to the people with another list of questions designed to impress upon Congress and the Administration the strength of the demand for a swing to the right. Voters are asked to put these questions to congressional candidates and to themselves.

In announcing this special activity, C. L. Bardo, N.A.M. president, emphasizes that the distribution of questionnaires must not be taken as a "demand upon all candidates to give a strict accounting to one group," but as "a means of assisting the electorate to a better understanding of how deeply their future welfare, dependent upon a prosperous industry, is involved in voting."

A Vital Vote

The idea is that, in determining what recovery experiments are to be adopted, altered, abandoned, the 74th Congress may "affect the destinies of our people for years to come"; not for generations has the electorate been called upon to cast its vote when the attitude of the candidate was bound to have so direct and lasting an effect on the voters' fortunes; business men are in politics, whether they want to be or not, should analyze candidacies so that they can support candidates qualified to "formulate and carry out constructive policies."

The questions should make clear what the N.A.M. means by "constructive policies." Typical ones:

"Do you believe Congress should resume its full legislative and deliberative power?

"Do you favor reducing government control of the management of private business?

"Should an individual be free to sell his own labor individually or collectively, as he and his employer may agree to their mutual satisfaction?

"Do you believe that the powers of taxation should be used solely for securing revenue for the legitimate functions of government?

Social Program Questioned

"Do you believe in creating by law, through such measures as compulsory unemployment insurance, old age pensions, etc., a private right to publicly controlled funds, thus reducing the efforts of individuals to provide for themselves and increasing their willingness to rely on the government for support, thereby aggravating the very evils which such legislation is intended to relieve."

N.A.M. feels that it will be difficult to qualify "yes" and "no" answers to these interpretative questions.

The New England Council is anticipating such answers by announcement of the results of its forehanded poll of New England business designed to uncover "the extent, causes, and suggested remedies for the current lack of confidence in business." A total of 501 answers was received in time for consideration at its Poland Springs meeting last week. About 50% came from manufacturers, 25% from bankers, the balance from wholesalers, retailers, etc.

Of the total, 94%—470 New Englanders—confessed to a lack of confidence in general business and put their pencil-points on one or more suggested reasons. Uncertainty regarding Administration policy toward business was checked by 195; government interference with and control of business—regimentation—by 136; excessive expenditure, borrowing, unbalanced budget, by 167; uncertainty regarding monetary policy and fear of inflation, by 138; experiments and reforms, by 72; distrust of President's advisors, by 63; miscellaneous complaints by 38. Incidentally, fewer felt this uncertainty about the job they knew best; 16% were pretty confident about their own businesses.

Restoratives Prescribed

Of the suggestions to the Administration for restoring confidence, these were checked most frequently:

Adopt, state clearly, and adhere to a more helpful policy toward business; stop government interference with and regulation of business; reduce expenditures, balance the budget; stop experiments and reforms—"turn to the right"; replace present advisors with "conservatives," "practical men," "business men"; adopt a sound monetary policy.

A Chamber of Commerce Committee has already drawn up a plan for legislation to replace NIRA. Its main points are that such legislation should be limited to businesses in interstate commerce; should provide definite exemption from such conflicting measures as the anti-trust laws; should let each industry formulate its own fair trade rules with the government empowered only to approve or veto and with the agreement subject to termination by industry or the government authority on reasonable notice; should protect minority representation in collective bargaining, and assure employees of freedom from coercion from any source—meaning "labor unions, too." The Chamber has also drawn up a revised budgetary program for government guidance.

In this battle for reconsideration of the New Deal in the light of its results business has no intention of being unprepared for the inevitable counter-attack of, "Well, what's *your* plan then?"

Labor Rides High

American Federation of Labor approaches its 54th convention feeling cocky—but not ready to grapple with its fundamental problems.

ORGANIZED labor meets in its second jubilation convention — since NIRA went into effect—in San Francisco next week. The 54th annual meeting of the delegates of the American Federation of Labor will bring together some 350 men to discuss its successes of organization, the battles yet to be won, the possible changes in its own organization.

Its claims of membership—expected to reach toward 3 millions as contrasted with a little over 2 millions average for last year—will there be revealed, as will also the change in lineup of the union trends of the country, and possibly the real attitude toward "vertical" vs. craft unions, and all the host of other problems, once only family affairs in the A. F. of L., but now of vital concern to industry and to the nation.

NRA Hero No Longer

A year ago, in Washington, NRA was the great hero of the convention, and 596 delegates crowded the hotels of the capital. This year, enthusiastic local unions will not send delegations of 200 to cast a single vote, as one local did last year. NRA is no longer a hero, but a keen disappointment. In fact, recent strikes are directed very much against the codes. The Winant report on the textile strike has been applauded by the unions mostly because it said the code relations to labor were a failure.

There will be changes in the complexion and attitude of the delegates. The craft unions—109 of them—still dominate the federation, but the trend toward industry, federal, vertical unions (by whatever name, unions taking in all workers in single industries) is of such tremendous importance that every shadow of leaning one way or the other at San Francisco will be of far-reaching significance.

Vertical Union Solution

Since last year's convention, at least 4 great industry labor groups have straddled the issue by forming "councils" of the crafts in order to allow for vertical organization; steel, automobiles, aluminum, rubber. The Amalgamated Garment Workers, once an "outlaw" union vertical in character, has been admitted to the federation, and a great flock of local unions under federal charters direct from the A. F. of L. and not from internationals (as is permissible when the crafts have not been organized in the plant) have sprung up all over the country.

These last, the direct answer of the A. F. of L. to the company union, have little voice in the coming convention but the pressure of the idea of vertical organization is made stronger by their presence.

An Elastic Setup

But there seems little likelihood of any great change in the present setup of the A. F. of L. It is a federation. It is loosely formed, elastic in character, geared to meet changing conditions.

The need for vertical unions, definitely recognized in the coming onslaught to unionize the great mass production industries will, unionists say, be taken care of as the problem forms, as witness the growing importance of the "councils." The craft unions are the great power of labor still, for they include skilled workers who cannot be replaced from the breadlines, they are men who are on the job continuously and are a vital part of industry, and must long remain the bulwark of all organization—so runs the logic of the A. F. of L.

No schism of importance has developed in the conventions of the international unions and there is no reason to expect their votes to be cast differently from all the years before.

What of Youth?

What, then, of the rising tide of new members, young, active, belligerent? The "rank and file" group in the steel unions took hold of things despite the authority of Michael Tighe; but this was personal, not common throughout unionism. The wise old leaders do not fear the coming of youth, radical though it may be. They were radicals, themselves, when they were young.

More than all, however, the gains in membership—voting membership—are not going to be as great at San Francisco as has been anticipated; this much can be safely said in advance. There is lots of young blood, but not enough to overthrow old leadership. The international unions do not turn in dues for more members than they need votes to keep their relative position in A. F. of L. politics—for instance, the coal miners stick to their 3,000 votes, despite big gains. This is in part due to thrift and in part to fear of getting recorded as paying more dues than they may be able to pay the next year if the turnover in membership increases.

The next question is how about present leadership — President William Green (salary $12,000), Secretary Frank Morrison ($10,000), the only two good jobs in the federation, and Vice-President Matthew Woll, who gets his salary from his international union, not from the Federation?

Underwood

RAILWAY LEADER—J. J. Pelley resigns as president of the New Haven to head the new Association of American Railroads, a merger of the American Railway Association and the Association of Railway Executives.

The answer here is again that there has been no rumpus in the international unions conventions, and no big union leader really wants Green's job. As heads of internationals they have great power, stay in office almost for their lifetime, draw salaries and expenses that do not need to be publicly announced.

The presidency of the A. F. of L. carries with it the glamor of Samuel Gompers, but it is an awful headache, and men who rule vast aggregations and know their trades well do not care to push William Green out of his job until and if he fails to play the game in their way. And Green has been and is an almost ideal president of the A. F. of L. for he carries buckets on shoulders, hands, knees, and head and seldom spills a drop.

A great strike has just been ended, and the United Textile Workers of America, who will vote some 300 of the 2,500 votes at the convention, say they won their battle. Washington is moving to take much of the power over labor relations away from the codes, if the Winant board report is indicative. A presidential order has just shortened the hours and raised the wages in the

cotton garment industries, and the whole trend in Washington is toward a shorter work week. Edward F. McGrady and Major George Berry, labor's two high NRA functionaries, still remain in powerful place there, while dozens of industrial leaders have come and gone. Above all, the important National Labor Relations Board has decided in favor of majority representation in collective bargaining.

To be sure, some of these rulings may well be reversed by the courts or changed by the President, but not before Oct. 1, when the San Francisco convention comes to order.

Labor is riding high, perhaps to a fall shortly, but high in the saddle.

Toward Textile Peace

Winant board's great contribution is firm insistence on fact, not emotion. But suggestion of further government control disturbs other industries.

ALMOST everybody concerned received the report of Governor Winant's textile strike board with mixed feelings.

With almost suspicious alacrity, Strike Leader Gorman greeted the report as a signal victory for the strikers; it certainly ended 3 weeks of uncomfortable United Textile Workers' triumphs which were tending rapidly to arouse such popular displeasure as the San Francisco strike brought on its reckless leaders.

The cotton textile industry finds itself faced with the problem of rehiring all strikers and union agitators, and NRA gets a stinging criticism of the labor relations machinery of its pet code.

American industry as a whole contemplates with some apprehension the recommendation that new government boards be set up to determine how much work employees shall perform as well as their hours and pay.

Yet beyond all these misgivings, it is a signally careful and judicial weighing of the complicated factors of a situation which union propaganda had clouded almost beyond the point of calm visibility. The rulings on the 4 points at issue were carefully studied and drove sharply to the objective sought by the board, that is, cold facts.

On Point No. 1, recognition of the union and methods of collective bargaining, the ruling was sharply against the basic contention of the strikers, recognition of the U. T. W. as sole bargaining agency. The board turns down an industry-wide collective agreement as not at this time feasible, and holds that "for the present at least" collective bargaining can best be achieved through "development on a plant-to-plant basis." The board does not feel that "swift and efficient protection of the rights of labor in collective bargaining should be secured through *new* machinery," and holds to 7-a of NIRA, which, it adds, imposes on employers "a correlative duty" to seek agreements with the chosen representatives of the workers. It was at this point in the report that the board first recommended the creation of a Textile Labor Relations Board, to handle labor complaints.

Acme

ENDED BUT NOT SETTLED—Textile workers read Francis Gorman's edict stopping the U.T.W. strike pending mediation of the issues by a new board.

Point No. 2 of the strikers' demands, for better handling of labor complaints, is met with the declaration that one of the basic causes of the strike is undoubtedly the dissatisfaction of labor with the machinery of code administration of labor's rights.

The board's report holds that the actual practice in handling labor troubles resulted in the code authority, "composed entirely of textile manufacturers" (except for the 3 government members without vote), passing on labor complaints, and ruled that "the principle of investigation by management of complaints made by workers against management cannot be defended from any standpoint consistent with the principles on which the Recovery Act is founded." It proposes the Textile Labor Relations Board as the solution.

On the question of wages and hours, Point No. 3, it holds that since this issue is so humanly vital and since the statistics of the industry have been challenged by the workers, the Department of Labor should make a comprehensive report of wages and hours and the Federal Trade Commission should report on the capacity of the industry to pay more wages. On the issue of differentials in wages between the different grades of skilled and unskilled workers, the same body should gather data and submit it for study and ruling.

The Stretchout Problem

The final point of the strikers, the "stretchout," is classified as a problem "not necessarily related to the introduction of labor-saving machinery," and adds that "adoption of the stretchout system does not necessarily increase the work load of the individual worker, but if not done scientifically it results in most cases in an additional burden on the employee," in other words, when it is allowed on antiquated machinery, poor yarn, etc. The Cotton-Textile Institute's figures to the effect that the increase in the amount of cotton consumed per man hour is only 2% since the code was adopted may be discounted, the board thinks, on the ground of changed grades and other factors requiring more time for weaving; but the need of an independent study, regardless of statistical averages, is held obvious on account of the large number of variables, and it is recommended that this be done by a second board.

The work of both the proposed new boards is to be expedited, adequate staffs provided and, meanwhile, the industry is to hold off any extension of the tasks of workers until Feb. 1 next, except on special permit because of improved machinery or other reasons. The study of the stretchout is to be carried on in plants selected by the code author-

ity and the United Textile Workers of America (the only concession to or recognition of that union included in the report), and the report is to be made to the President by Jan. 1, 1935.

The most radical provision of the Winant report, however, is included in the "principles" set down; for example, that no employer may increase work assignments in any class without having secured authorization from the board's representative, who may pass on the request only after having received a sworn statement of the bases of the request, and after a 6 weeks' interval and, if requested by the workers, after a public hearing, while protests of workers against assignments which involve "excessive efforts by the workers" must also be heard.

Broader Scope

The new plans for the two boards are to be extended not only to the cotton textile industry but also to the silk, wool, throwing, velvet, upholstery, and drapery industries and in certain parts of the hosiery industry which were on strike. Meanwhile, the mills are to take back strikers without discrimination and, the union demands under Section 7-a of NIRA, all who have been discharged for union activities in the past.

The machinery set up is designed to gain much for the workers but over a longer period of time than most of the strikers anticipated—they were striking for money in their pockets now, and cannot but be disappointed. But as to the gains for labor in the long run, much can be promised by their leaders.

The real advance in the Winant report is for the basis of fact instead of emotion in the settlement of labor disputes. Its cool appraisal will long stand as a model for this type of study. It may well be pointing the way to the coming type of labor legislation which this body blow to the labor power of the codes makes more inevitable than ever. But in so doing it brushes aside most of the rights industry has claimed in labor relationships, and marches far forward along the road of government control which was already concerning many industrialists.

Packers Act First

Wage boost in packing houses beats labor to the punch, strengthens company unions.

THE packing industry this week gave more than 100,000 employees an 8% wage boost—aggregating over $10 millions a year and establishing a basis 5% higher than in the 1929 boom year. The decision to do this was a decision that the industry would not risk a duplication of the textile strike.

A wage increase granted last week by one of the smaller, but important, Northwest packers was the beginning of a concerted movement by labor for higher scales. Climbing meat prices and the packers' admission that they have been enjoying profits this year served as excellent ammunition. When the situation became apparent, the packers, through telephonic and personal conferences, decided that their position could be strengthened by meeting it with this raise. Higher wages were granted even in cases where the demands had not yet reached a stage that promised immediate trouble.

The wage increase also strengthens the position of the "conference boards" as the company labor organizations are generally called, and makes it harder for the American Federation of Labor to break back into an industry from which it has been ousted. The packing house labor organizations can now point out that they have been successful in effecting 3 increases in a little more than a year. On Aug. 1, 1933, the companies boosted payrolls 18%, equalizing wages under shorter working hours. An additional raise of 10% was made last December. The latest scales are 36% higher than before NRA. Employment and payroll figures show that packinghouse workers have long been faring better than those in industry as a whole.

The latest increase will add $5 millions annually to Swift's payroll, $3 millions to Armour's, nearly $1 million to Cudahy's. Wilson has made no estimate, but the total will run to $10 millions.

Motion Movies

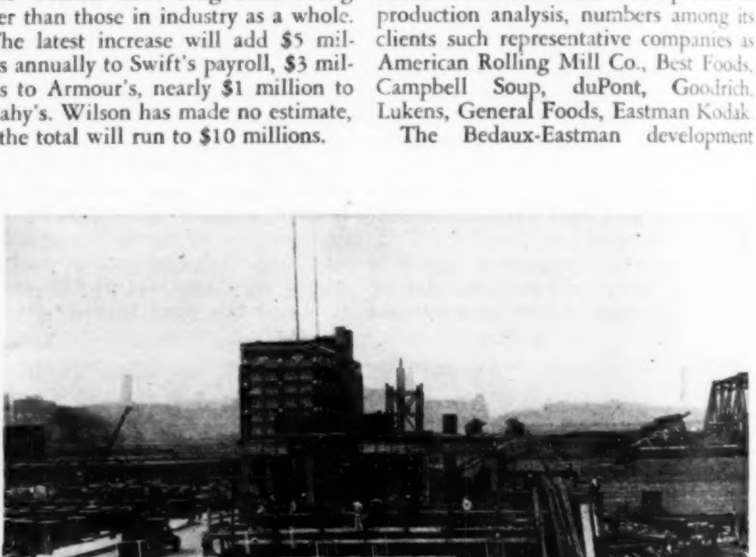
Time and motion study gets a new tool—motion pictures which tell time without clocks.

WHEN mass production changed the worker's job from the hand-finishing of a complete unit to the machine-making of many parts of units, the elements of working speed and incentive were introduced. Since then, the young man with the stop-watch and the clip board, who follows the teachings of Taylor, has become a familiar factor in production problems.

Early time-study men were quick to appreciate that human observation and the stop-watch were comparatively crude instruments with limited range. To catch with greater accuracy the elements of time and strain in mass production operations, Gilbreth years ago turned to motion pictures, a development carried on by Mrs. Gilbreth and by Mogensen, and chiefly publicized by *Factory Management & Maintenance*.

Most recent attempt to measure time, motion, and fatigue more accurately is the photographic system developed by Charles E. Bedaux Co. in conjunction with Eastman Kodak Research Laboratories. The Bedaux Co. was a pioneer in production analysis, numbers among its clients such representative companies as American Rolling Mill Co., Best Foods, Campbell Soup, duPont, Goodrich, Lukens, General Foods, Eastman Kodak.

The Bedaux-Eastman development



International News

STOCK YARD REBIRTH—The big job of rebuilding Chicago's Union Stock Yards—destroyed by fire last May—moves rapidly ahead with little delay to business. The Exchange Building stands in the distance.

Business Week

PERSONALIZED APPLIANCES—New Westinghouse grills, waffle irons, and serving sets have decorative inserts which can be changed at the time of sale to the monograms of the buyer, making them more than ordinary merchandise.

mechanizes the photography of time without the clock-in-the-picture used by Gilbreth, without the cumbersome and expensive apparatus used by early experimenters in the motion picture study of man and machines. And it cuts the cost of the average shot to 16¢.

Constant Speed Camera

The camera is the Eastman 8 mm. Ciné-Kodak, equipped with a constant speed electric motor which can be plugged into any electric socket, and which automatically maintains a speed of 1,000 frames a minute (4,000 frames for slow-motion work) regardless of voltage variations or line fluctuations.

The projector is the usual Kodascope plus a tachometer to determine film speed exactly, and a counter registering the number of films.

The film is supersensitive to work without artificial light when near a window, or anywhere with the easily portable and cheap Photoflood lamps now available.

In operation, key numbers are taken at the end of a manufacturing sequence, and several such shots may be made on the standard 100-ft. roll. After development, the film is cut into sequences for study, using the closed loop employed by Mogensen and others. In projection, the loop runs over and over, eliminating rewinding, concentrating attention on the operation involved.

As demonstrated to *Business Week*, the introduction of the time element is accomplished simply and mechanically. The shot is taken at normal speed—1,000 frames a minute definitely maintained by the motor driven camera. Thus, each frame constitutes one-thousandth of a minute, and the amount of time it takes a hand to lift a nut can be measured without counting frames by consulting the counter on the projector.

Possibilities of photographic time and motion study by a system so cheap are many and varied. In industry, there is more emphasis on efficiency of operation with due regard for human feelings and fatigue. There is greater necessity, under present limitations, for base rates and piece rates which are fair to both worker and employer, which are determined by something better than the foreman's rule-of-thumb, which provide incentive without straining the worker.

Present Opportunities

With men coming back to work and production operations being refined, the motion picture is valuable in teaching new operators, in showing old operators a new technique, in providing a visual record of a given operation.

Yawman & Erbe have devised a filing system for the Bedaux films which keeps them properly classified in a humidified container. As returned by Eastman, the films are already looped as directed, each loop in a slotted compartment fixed to the back of a file card for written records.

Home Talkies

RCA offers simplified equipment for 16 mm. sound on film.

THE goggling brats, the proud papas, the high school Garbos in the home movies will soon be articulate: RCA is about to market "the first and only 16 mm. sound camera."

Round-the-world tourists can carry back to Montclair their own remarks and comments as they photograph the quaint Ubangi maidens, or they can photograph at the same time the actual African giggle.

The RCA sound camera weighs only 8¾ lb., loaded for action and conversation. It is not much bigger than the silent amateur movie cameras, and may be held in the 2 hands or mounted on a tripod. It is self-contained, has no outside gadgets or wiring. Film costs no more than silent film.

At the rear, just at lip level when the camera is in action at eye level, is a mouthpiece into which the amateur newsreelers can fire their running comment. For budding DeMilles, the mouthpiece is removed and a microphone plugged in which may be placed near the subject.

One the front, is a 3-lens turret for holding telescopic or special lenses, which may be swung into position instantly. Films are daylight-loading, everything has been simplified.

RCA also offers a projector with the same "high-fidelity" characteristics of the theatre jobs.

Dunlop in Ireland

Free State grants tire monopoly to attract big producer.

THE Irish Free State, by the first order made under its Restriction of Imports Act of 1934, has given a monopoly in the Free State to the Dunlop Rubber Co. for the manufacture of tires. In return, the company is to set up a large factory in the city of Cork. It will employ between 1,000 and 1,600 workers.

It is confidentially reported in London that Dunlop will take over part of the Ford factory built several years ago principally to produce tractors. When Ford entered the Free State he miscalculated the state of agricultural advance in that country. The demand for tractors and farm motors in Ireland has been disappointing, and export sales have not come up to expectations. Many of the bays of the Ford factory have long been idle, and this arrangement should benefit both Dunlop and Ford. Efforts are to be made in the Free State to build up an industry for the assembling of motors, but the use of automobiles is not widely spread.

No Capital Strike

Paralysis of new securities market is due mostly to lack of borrowers, *Business Week* analysis indicates.

WITH strikes so much in the news, it is no more than natural that some catch-phrase maker should coin the expression "capital strike." The phrase denotes impatience that billions of dollars lie idle when everyone, presumably, wishes they would go to work.

There is no strike for higher pay for capital when it will work 6 months for the government at 1/8%. New York State just hired $75 millions for 8 months at 7/12%. Any name known to commercial paper buyers can get 4 to 6 months' money at annual rates of 1% and less, and good bank customers are asked no more than 3% or 4%.

Show-Window Didn't Draw

Boiled down to essentials, sluggish bank balances and capital markets acknowledge the failure of one experiment launched long before the "New Deal." There was a theory that money piled up in a show window with a cut-price ticket on it would have many takers. It was the previous administration's principal bid to revive business.

It proved futile in stemming deflation in 1930-33 and so far has been futile in aiding reflation. If the accusation of "sabotaging" the New Deal is to be leveled at the banks, it must also be extended to the bank depositors, because they aren't using the funds on deposit, let alone borrowing more. An accompanying chart shows how the use of bank deposits has dwindled as their volume increased. It indicates that where $5,200 millions of deposits were being checked in and out once in every 12 business days on an average in the summer of 1933, $6,592 millions of deposits in August, 1934, were turned over once in every 15 business days. When deposits are really active they are in and out every 7 to 10 days.

So far experience seems to have vindicated the bankers who say credit will only come out at the call of bigger business volume. Secretary Morgenthau is now investigating to see if a little ear-washing might make for keener hearing. If over-strict examinations have centered bank attention too much on liquidity, that obstacle is to be removed by rationalizing supervision of loans.

It remains to be seen whether the dam holding back the flow of credit can be broken by such ready expedients. It is rather clearly indicated that the banks are perfectly honest in saying that all good borrowers are being accommodated. At least, two distinct offers of the government to get funds to business through the RFC and the Federal Reserve Banks have brought no flood of applications from unaccommodated borrowers.

But if the "easy-money" theory has failed to expand bank credit, the pressure of money piling up in banks has had beneficial effects in the capital markets. The left-hand chart below shows how these funds have poured into investments.

This has done a great deal of good to what was a very bad investment market. In combination with the buying of other institutional investors, it has practically denuded the markets of gilt-edge securities. Other types of investors, working under less stringent requirements and seeking greater yields, were forced to take securities of lower rating. The result is apparent in an extremely wholesome clean-up of the bond market. Whereas 18 months ago the market was glutted with "fair" bonds selling in the 50's and 60's, it would require a diligent search today to unearth many meritorious issues under 90. The market as measured by one average shows grade "A" bonds which sold on a 7% basis in 1933, selling currently just over a 5% basis.

Such a lowering in wages for long term capital funds again belies the charge of "strike," but does not deny the fact that money has failed to go into new employment. Just how the new capital market has dried up except for government financing, is indicated in the tabulation on the next page.

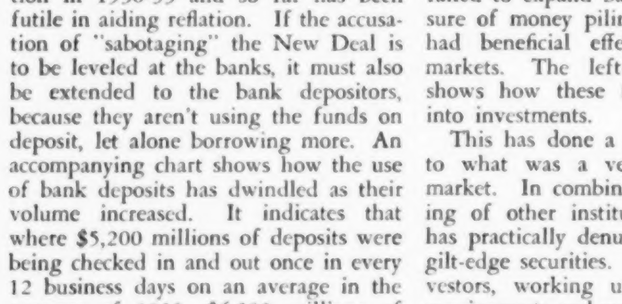
Still a "Potential"

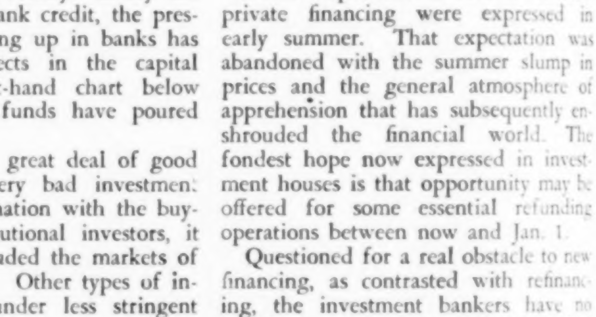
The government's part is not exclusively new money, because millions diverted through RFC, HOLC, and FCA went to repay private obligations outstanding, placing their holders in position to return to the market for new securities had they not preferred to leave the money idle in the banks.

But just as large bank balances have so far remained a "potential" for credit inflation, so the improved bond market remains a "potential."

Some hopes for a revival of new private financing were expressed in early summer. That expectation was abandoned with the summer slump in prices and the general atmosphere of apprehension that has subsequently enshrouded the financial world. The fondest hope now expressed in investment houses is that opportunity may be offered for some essential refunding operations between now and Jan. 1.

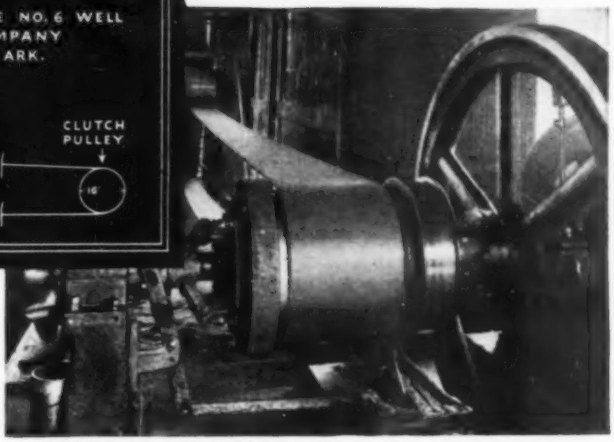
Questioned for a real obstacle to new financing, as contrasted with refinancing, the investment bankers have no definite reason to show that a revival





OHIO WINS—33 TO 5!

G. T. M.-specified belt scores for oil company with long "run"



Still going strong after 33 months' continuous service

Has been operating continuously for 33 months; previous belt broke five times in 5 months

THE dollar-and-cents wisdom of buying belts *correctly designed for, and accurately fitted to* your particular set-up, is strikingly illustrated by the experience of the Ohio Oil Company, of Findlay, O.

Back in 1931, the belt on the pump of its L. T. Pate No. 6 Well in the Smackover Field, Arkansas, had broken five times in less than five months' service, and had been cut seven times to take up stretch.

Things couldn't go on like that! Breakdowns and delays cost too much money. So the G. T. M.—Goodyear Technical Man—was called in.

GTM SAYS "COMPASS"

This practical expert made his usual careful study of operating conditions. Analyzed load fluctuations, and finally recommended a double-deck construction Goodyear Compass Cord Endless Belt, 106′ 3″ long by 14″ wide.

This belt was installed on December 19, 1931, and has been running continuously 24 hours a day ever since, except for an occasional shut-down of an hour or two due to causes other than belt trouble.

Today this belt is still delivering the goods after 33 months' trouble-free service—*more than six times longer service than the previous belt,* to say nothing of the saving in replacement costs!

Savings like this explain why so many industries consult the G.T.M. regularly on their belting, hose and other mechanical rubber goods requirements. Why not see what he could do for you? A line to Goodyear, Akron, Ohio, or Los Angeles, California, or the nearest Goodyear Mechanical Rubber Goods Distributor, will bring him promptly.

BELTS • MOLDED GOODS
HOSE • PACKING
MADE BY THE MAKERS OF GOODYEAR TIRES

THE GREATEST NAME IN RUBBER

GOODYEAR

is impossible. Hindrances cited include the timidity of money in the face of uncertainties, its desire to remain in mobile form, continued domination of the market by government financing, lack of demand from business and industry, strict responsibility of issuer and underwriter under the Securities Act, and the expense and cumbersome routine under it.

What Treasury Could Do

The Treasury could do much to encourage private financing. The Treasury's major financing for the year now out of the way, it might relinquish the center of the stage to see if private financing would take its cue. When there was some promise of its revival last spring, the RFC did no good and possibly much harm when it insisted upon an interest rate and commission schedule that bankers felt was too low.

Seasonal factors are favorable because December and January are customarily the heaviest months for security sales. What the investors' response would be to new offers is unknown but the business is primarily one of salesmanship and investment bankers are good at it.

Thousands of little bond dealers throughout the country have made a living through the thin years reselling outstanding bonds that came back into the market in the deluge of liquidation. They should have a market for attractive new bonds and be anxious for a chance at the business. Big investors have been taking bonds more or less steadily, largely through private offerings and much at their own terms.

Few people in the bond business feel that the Securities Act is any longer an insurmountable obstacle. They point out that the investment bankers' code equals or exceeds the law's restrictions.

The Real Obstacle Remains

With capital financing, as with credit expansion, the real obstacle remains the lack of demand for new money. Regardless of how readily funds poured out for the purpose, their use would depend upon the disposition of industry to start repairing the ravages of time upon its plants. Obsolescence and depreciation is estimated in staggering amounts, but factories working at fractional capacity can avoid expenditures more or less indefinitely.

It may be indicative, however, that a few outstanding concerns chose to make rather extensive capital improvements recently. Automobile makers did some building this year and several millions were spent by steel mills.

But the less than $16 millions monthly that industry has been receiving from the new capital market during the last two years would not buy paint, pitch, and planks to keep shelter over the old machinery, let alone buy any new equipment.

New Capital Financing
(In millions of dollars)

First 8 mos. of	*Corporate*	*Municipal*	*Government and Its Agencies*	*Total*
1934	$128	$563	$3,502	$4,193
1933	127	269	2,188	2,584
1932	249	536	2,432	3,217
1931	1,473	1,007	865	3,345
1930	4,190	938	*70	5,058
1929	6,205	817	*460	6,562
1928	3,389	898	*272	4,015

*Net reduction from debt retirement.

Modernization Close-up

Report on FHA loans shows where the modernization money is going—and that it isn't going very fast.

HOME modernization is not yet moving at the speed hoped for under stimulus of the National Housing Act. Only 6,049 loans totaling $2,737,000 had been reported to Sept. 25. But FHA officials point out that reports to Washington headquarters lag 3 weeks behind actual transactions, bid for acceptance of their estimate of $1 million a day as representing actual volume. It is claimed that the drive also is generating $2 millions a day in cash business.

Reports actually in hand reveal the characteristics of individual loans. Average is $459 with maturities spread over 25 months. The unexpectedly high average borrowers' income — $2955—shows that the response is conservative. Borrowers have obligated only 7.4% of annual income. This evidence of the soundness of the risk is supplemented by an analysis of 718 loans revealing that only 154, or 21.4%, of the borrowers had previously borrowed money from the institutions to which they applied. This sample is small, but it is an indication that FHA has stimulated the flow of credit, is creating new jobs.

Among the 718 borrowers in the case study, 131, or 18.2%, are employees of the federal or local governments and 135, or 18.8%, are clerks. Skilled mechanics account for 13.3%, business men (sole owners) 12.8%, business men (partners) 3.9%, salesmen 6.6%, corporation officers 5.9%, unskilled laborers 4%, landlords renting rooms and apartments 3.9%, department heads 3.9%, professional men 3.6%, foremen 1.8%, storekeepers 1.2%, drivers 1.2%, barbers 0.4%.

Jobs numbering 1824 exceed number of loans because many single loans have been made for multiple purposes. Heating, inside painting and redecorating and plumbing share something less than half of the total jobs about equally. Jobs classified according to type were: heating 14.5%, inside painting 14.4%, plumbing 13.8%, exterior repairs 9.7%, roofing 9.2%, outside painting 9.2%, general remodeling 8.5%, interior repairs 5.5%, cementing 3.9%, lighting 3.5%, bathroom remodeling 3%, additional rooms 2.4%, kitchen remodeling 1.9%.

The national map of the modernization program is spotty. In several states old usury laws present obstacles that have to be hurdled by special procedure. Although loans reported to Sept. 21 were made by 838 institutions in 45 states, National City Bank, New York, accounts for 16% of the total number with 957 and for 21% of the aggregate amount with $567,000. Several selling campaigns by housing equipment manufacturers are just getting under way (*BW—Sep8.22'34*). So is a big advertising campaign promised to Administrator Moffett by industrialists this week.

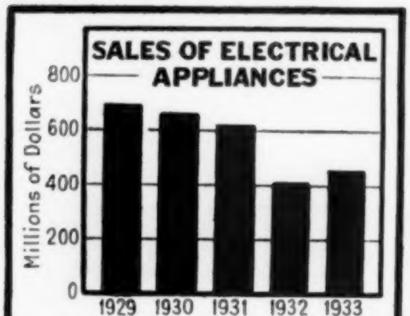
Government Might Step In

Financial and commercial interests are apprehensive that the Administration, having built up such high hopes for the modernization program, will be tempted, if it fizzles, to jump direct into government housing construction.

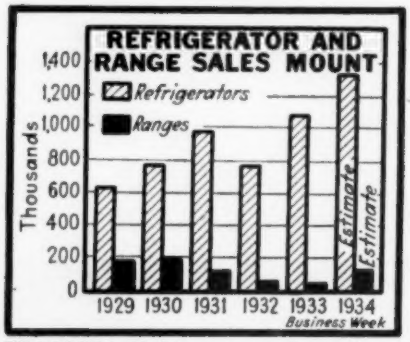
The home mortgage financing program is now scheduled to start next month under the direction of J. Howard Ardrey, Dallas and New York banker.

FHA has had several nibbles on the organization of national mortgage companies which, financed by private capital, are intended to attract funds for home construction in localities where resources are not adequate.

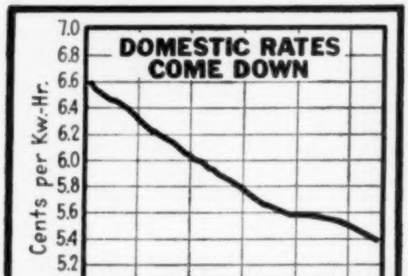
FHA also is trying to stimulate industrial modernization. Gerard Swope of General Electric, is giving Administrator Moffett a hand here. The prospect that Congress may tax corporate surpluses is likely to provide some incentive.



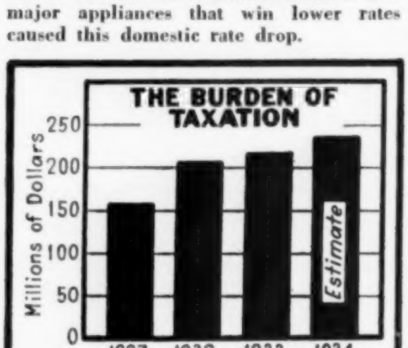
FEDERAL AID—Appliance sales slumped with the depression, are helped by public works and federal cash outlays to farmers.



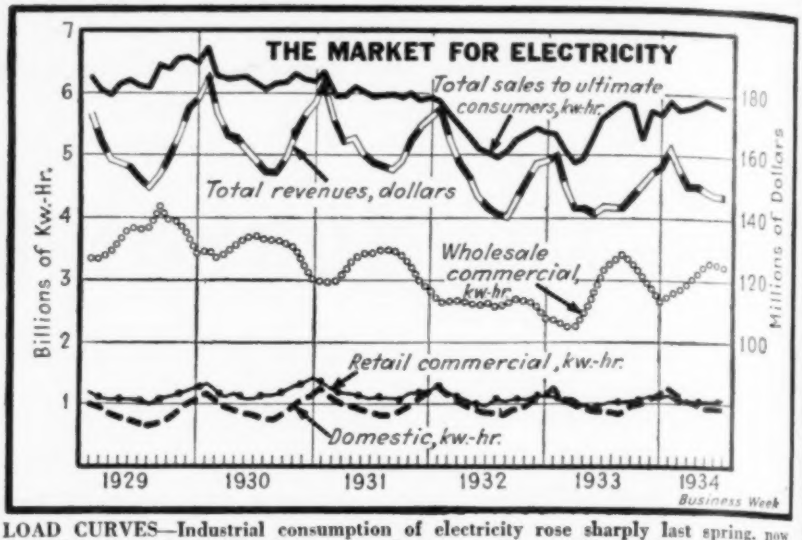
PROGRESS—Refrigerator makers drove sales above 1 million in '33, will push higher in '34. TVA stimulates range sales.



CHEAPER POWER—Rate reductions and major appliances that win lower rates caused this domestic rate drop.

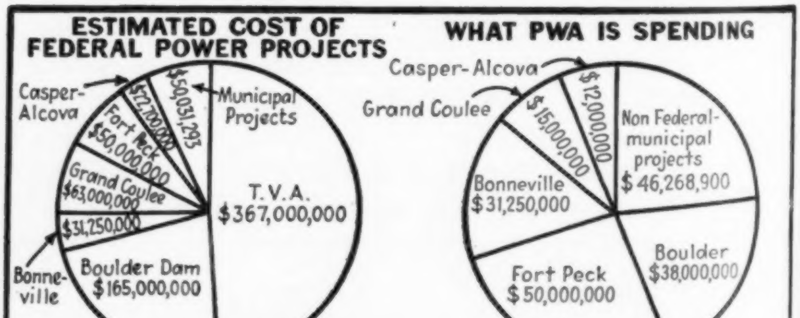


TAX LOAD—The burden on private power companies grows, but competing public projects go tax free.



LOAD CURVES—Industrial consumption of electricity rose sharply last spring, now nears last year's high. Retail commercial—stores, offices, public buildings—holds unchanged. Domestic load persistently increases. Revenue lags behind total kw.-hr. sales.

WATER AND COAL—Capacity and production of hydro-electric stations have grown gradually—stations using coal, oil, or gas have grown much faster. Present production from steam, influenced by increased demand and draught, is equal to 1929.



UNCLE SAM'S POWER PLANS—What the government plans to invest in power development. This power will be piled up where there is already over-capacity.

Auditing the New Deal

13. The Gas and Electric Public Utilities. It all gets down to government competition and what that is going to do to electric rates.

THE New Deal has borne down heavily on the electric light and power industry. It has dealt lightly with the gas companies.

All these utilities promptly signed the President's Reemployment Agreement. Codes have been drawn for electric light and power, manufactured gas, and natural gas. But the President has not signed them.

Meanwhile, the gas utilities are relatively little affected. Labor is not a major factor in their costs, and the larger companies were all on a 40-hour basis anyway. Wages were well up to standard. The cost of coal has risen, of course. Taxes have increased. The volume of the business has fallen off with the depression. To the gas industry, the menace of the New Deal lies principally in the competitive relationship with electricity. For if the government power developments force down the price of electric service, the gas companies will have a problem on their hands. That is what they expect and naturally they don't like it.

But to the electric power people, the New Deal is a wolf on the doorstep; in fact, a pack of wolves all round the house. And it looks as though they were going to settle down in the kitchen. It has taken the form of a general attack against their industry by the forces of government, with political pressure focussed on 3 fronts—a steadily rising taxation, a clamor for lower rates, and a vast program of federal power projects in active competition with existing power systems.

But it isn't the public demand for better rates that worries the power men. Rates have been coming down gradually for years. And it isn't the taxes, for taxes are always going up. It is the character of this impending competition. For the government projects are being developed where there is already a large excess of capacity. If political management runs true to form, this further excess will be thrown on the market without regard to cost, and the private companies that must keep books and pay taxes and maintain their credit will be stood on their economic ears.

To get right down to details, the case of "the New Deal vs. the Power Industry" stacks up 6 counts against the government and 5 against the electrical men.

The Case Against the Government

First—this matter of federal competition. The government is entering into the power business on a scale that staggers the imagination. The estimated cost of its power projects planned so far reaches about $699 millions. Just what part of this colossal sum will eventually be charged to power development and how much more will be appropriated before the work is done, no man can say. But already PWA is spending $38 millions on Boulder Dam, $50 millions on the Fort Peck project in Montana, $12 millions on the Casper-Alcova development in Wyoming, and, on the Columbia River, $31½ millions at Bonneville and $15 millions at Grand Coulée.

Right now in Southern California the power systems are carrying a load of 1,040,000 kw. and have an idle excess capacity of 546,000 kw. When Boulder Dam comes in there will be 1,053,000 kw. more in electric power seeking a market. Likewise, in the states of Oregon and Washington, the power companies are carrying at present a load of 776,000 kw. They have a further idle capacity of 445,000 kw. To this Bonneville and Grand Coulée will add 950,000 kw. What will become of it?—the power companies ask. And what will become of them when politicians start cutting prices to get business?

Fort Peck will more than double the capacity of existing systems in that region, 53% of which is now idle. In the Tennessee Valley area there is at present a load of 2,700,000 kw. working at 40% of capacity and the TVA will turn loose 2,000,000 kw. more when the Norris and Joe Wheeler Dams and the other proposed plants are done.

Everybody understands that construction has been pressed to give relief by providing employment. But the results in terms of power production are something to think about.

Second—Chief Public Worker Ickes has been actively encouraging the building of municipal power plants. So far, $46,268,900 has been allotted to non-federal and municipal power works. The government loans the money and makes an outright grant of 30%. Some 97 cities have taken advantage of the offer.

Third—The attack on rates is centered in the Tennessee Valley—the government's first "yardstick." The cost of electricity, of course, has been coming down for many years through the reduction of rates, improvement in efficiency of lamps, greater use of the service. For example, between January, 1929, and June, 1934, the average price paid for electric service by the homes of America fell from 6.6¢ to 5.4¢ per kilowatt hour. The progressive utilities charge on a sliding scale that drops way down below this average for homes that use electricity liberally.

TVA has a rate that cuts way under this. Its sliding scale charges for the first 50 kilowatt hours at 3¢, for the next 150 kw. hr. at 2¢, for the next 200 kw. hr. at 1¢ and for all over 400 kw. hr. a month at 0.4¢. But if private operation is a measure of the engineering and management possibilities, there seems to be no reasonable hope that the TVA can pay its way at these rates.

But this "yardstick" idea and the social idealism with which the entire project is enveloped have captured the popular interest. Led by Senator Norris, the politicians—national, state, and local—have made whoopee for years around this issue. But under the New Deal

Trend of Business in the Gas Industries

	1933	1931	1929
Revenue from Sales to Consumers—Manufactured Gas			
Domestic	$297,902,000	$333,190,000	$338,280,000
House Heating	14,553,000	16,061,000	12,076,000
Industrial and Commercial	63,906,000	81,710,000	89,108,000
Miscellaneous	1,527,000	1,602,000	1,905,000
Total	$377,888,000	$432,563,000	$441,369,000
Revenue from Sales to Consumers—Natural Gas			
Domestic	$199,204,100	$219,102,200	$187,272,000
Commercial	24,340,800	25,378,100	35,900,000
Industrial	75,075,800	86,650,500	114,248,800
Miscellaneous	1,505,800	1,293,900	2,272,200
Total	$300,126,500	$332,424,700	$339,693,000

there has been a steadily flowing stream of publicity selling the idea that rates for electricity are too high and that utility stocks are watered and the public is being swindled.

Fourth—The growth of the tax burden is alarming not only to the operating companies but to the investors in utility securities. In 1927 the power companies paid $157 millions in taxes. The tax burden this year is estimated at $236 millions. In 1927, taxes took 9.4¢ of every dollar received in revenue; last year, 12.7¢. This year it looks like 15¢. And, with rates going down, it makes something for the power people to figure out.

Fifth—comes the government's power survey, and if you want to see a utility man shudder, just bring this one up.

The Federal Power Commission has sent out two questionnaires to all private and municipal utilities, one on rates and the other on present available power and potential markets. These questionnaires are due Oct. 1, but call for a mass of information that the power men say could easily take a year to develop. A thorough survey of these two fields would need several years. How the bureau will handle the deluge of data from some 3,800-odd utilities, nobody knows. Put them in the hands of non-practical people, inclined to idealistic reforming, and almost anything may come out of it. The power men are afraid they will be used to make a case that the market is available for much more power development, that rates are too high and, ergo, Uncle Sam should do his duty.

And Sixth—The New Deal has hamstrung the power industry in the matter of credit. In normal years of business expansion, the power companies used to require about one-third as much new financing as the annual gross revenue. The average for 10 years before the depression was $600 millions of new capital against $1,800 millions gross income. But the last recorded financing for new construction in the power industry was $15 millions raised in January, 1933.

Credits for the New Deal

But you can say for any wolf: that his hot breath on the back of the neck certainly starts a man thinking and makes him step. Therefore, the power industry has 5 things to thank the New Deal for, like it or not.

First—TVA has given electricity in the home more front-page publicity than it has ever had before. It has greatly stimulated public interest in electrical appliances for comfort, convenience, labor-saving, and economy—and every power company in the land is profiting by it.

Second—The vast sums that the government has been paying out for relief, public works, farmers' compensation, and other purposes, have created a huge additional market for domestic appliances.

Third—The better housing program promises an increasing market for electric wiring, lighting, and the installation of various built-in equipment—ventilating fans, air conditioning, dishwashers, refrigerators, ranges, and water heaters.

Fourth—Direct action by TVA has brought about the development of a new line of lower-priced electric refrigerators, ranges, and water heaters. Mr. Lilienthal told the manufacturers that if they did not find a way to make this equipment to retail at a price well below $100, the government would start a factory of its own. When the shouting was over and the dust settled, the electrical manufacturers came down like the celebrated raccoon of Mr. David Crockett and we now have refrigerators as low as $77, range as low as $61.25, and water heaters for $57.

And Fifth—There has been a great commercial awakening among the power companies. The threat of the New Deal has opened the eyes of many engineering-minded utility executives to the fact that lower rates, higher taxes, and competition can only be offset by the development of larger revenues from present customers. A recent check-up embracing about 100 companies serving more than 10 million consumers, or about half the customers of the industry, showed a striking contrast between the first half of this year and the first 6 months of 1933.

Out of the sweat and tears of this experience the power companies are going to be better business-getters anyway—if they live.

The baffling feature of this whole New Deal power program is, of course, the creation of excess capacity, with nothing but a hope that there will be any market for these extra millions of kilowatts when they are ready. Try to figure out the dollars involved and it doesn't make sense. But the New Dealers are apparently looking at it about this way:

New Applications, Perhaps?

The federal government is now definitely committed to the control and development of inland waterways. It is in the public interest that devastating floods should be prevented, that cheap river navigation should be made available, that arid lands should be irrigated. All this means building dams and impounding waters and that immediately produces hydro-electric power as a by-product—according to this approach. "All right," say the reformers, "let's arbitrarily charge only a small part of the cost of these developments against the power production. Let's make power very cheap and see what happens."

New Horizons

Now everybody knows that the cost of power in a pair of shoes or a table or a bolt of woolen cloth is very small—a popular average figure is 3%. So if you halve the cost of power to a shoe factory or textile mill it won't mean much in the cost of shoes or clothing. But the National Resources Board has been checking up to find out what improved industrial processes have been devised in the last 20 years and laid aside because they wouldn't pay. They are wondering if, with cheaper power, new uses of electric heat, or welding, or some other application may not make possible new industrial processes, new economies, that will bring a new lift to American industry and form the basis for a new prosperity, like that which came with the idea of mass-production.

And incidentally, the social idealists now in Washington are intent on another experiment. They are bringing the advantages of electric labor-saving appliances to the small homes of a low-income population in the Tennessee Valley. They are wondering if the elimination of drudgery and the coming of new leisure and comfort to families that have not known these benefits before may not have far-reaching influences.

You can take it or leave it and it's anybody's answer. But there is enough in it to give a power company executive material for a lot of midnight cogitation. Of course, past experience in power development, taken alone, would indicate that Muscle Shoals will continue to be a white elephant in the government's hands, as it has been for years, and these other huge projects seem to be headed in the same direction.

It's Not the Depression

Meanwhile, the gas and electric utilities have been experiencing the well-known depression, along with everybody else. The effect upon the sales and revenues is shown in the accompanying charts and tables. The power companies, however, have been fortunate in the ability to build up domestic load, largely through the sales of heavy-duty appliances—refrigerators, ranges, and water heaters. As a result, no small part of the loss in industrial business has been compensated for and the total output of the industry last month stands only 6% below August, 1929. Their costs of coal and other supplies have gone up about 10%. The labor costs have not been much affected because wages were already high, as with the gas companies. But it isn't this depression that is worrying the utilities. It's the New Deal.

Next, Fireproof Ships

Makers of fire-resistant materials and fire-fighting equipment see new business in ship construction changes forced by *Morro Castle* disaster.

A WRECK on the New Haven railroad in 1913 hastened the abandonment of wooden passenger coaches. Similarly, the *Morro Castle* will force regulations to minimize future fire hazards for sea travelers. These changes will affect materials used in superstructures, furnishings of cabins and public rooms, equipment for reporting and combating blazes. The field is thus opened to competition, and alert sales executives already are aiming at the market.

There is little activity now in new passenger ship construction but alteration in existing vessels is almost certain. Not only will the federal government be forced to tighten its laws; shipping companies will go forward on their own to reestablish public confidence in sea carriers. Washington expects from the next Congress legislation requiring complete fireproofing of U. S. ships.

Uninformed critics place part of the blame for the tragedy on the failure of Congress to ratify the agreements prepared by the International Conference on Safety of Life at Sea in 1929. (A result of the foundering of the British ship *Vestris*.) True, the United States was the only maritime nation which failed to adopt these principles officially. Actually the important safety provisions laid down in this pact have been enforced by the Navy and other supervising agents for tonnage built under the Jones-White Act. The *Morro Castle* (completed in 1930) was in this category and her safety equipment was the last word to that date.

The *Morro Castle* conformed to the international safety conference requirement of bulkheads with fire doors capable of resisting for 1 hour a heat of 1,500 deg. F. clear across both hull and superstructure at intervals of 131 feet or less. In theory, an hour is sufficient to subdue a localized fire or to call in rescue ships. Between these bulkheads are innumerable cabin partitions, inflammable upholstery, curtains, passengers' clothing, linen, stores, etc.

Leapers at conclusions assume that these subsidiary partitions must hereafter be of steel or other metal. Disregarding the item of cost, the metal must not overbalance the vessel and it must be protected in turn by something like asbestos or it may become, in an intense fire, a heat conductor to spread flames instead of stopping them. The requirement is a light metal, such as aluminum or duralumin, insulated.

Partitions now being installed on the giant French liner, *Normandie*, may or may not become a guide for American shipbuilders and suppliers. Her cabin walls are duralumin sheets, encased between asbestos layers, faced with wood veneer. It is up to American research organizations to see whether they can create as good a fire screen of less weight at less cost.

Companies making wooden partitions need not assume that the market belongs to minerals. It is claimed that a partition of laminated wood can be made sufficiently fireproof with the proper treatment. Composition boards also are adaptable, with fire-resisting preparations. Certainly the government is going to discourage the use of inflammables to cover pipes, in the bracing behind walls, in the insulating between metal plates. Insulation such as mineral wool, asbestos, aluminum foil are expected to come into wider use. Necessity for excluding air from flames will demand wired or fireproof glasses. To prevent intense heat from eating into partitions at intersections, concrete bases, metal sills and trims will be more generally utilized. Other lines sure to be affected are asbestos sheets and veneers, hollow aluminum, magnesite, mastic tiles, phenolic plastics, metallic sheets, metallic posts, metallic channels. Nominations will be added to the list in accordance with the ingenuity of interested companies.

Fireproofed Wood

A material common in present installations is laminated wood for partitions. This and ordinary hardwood planks used in furniture can be effectively fire-treated. Generally, this consists of drawing the air from the tiny cells (by vacuum or otherwise) and filling the cells so emptied with a fire-resisting chemical applied under pressure in tanks. Such solutions usually contain ammonium sulphate, mono-ammonium phosphate, di-ammonium phosphate, sodium tungstate.

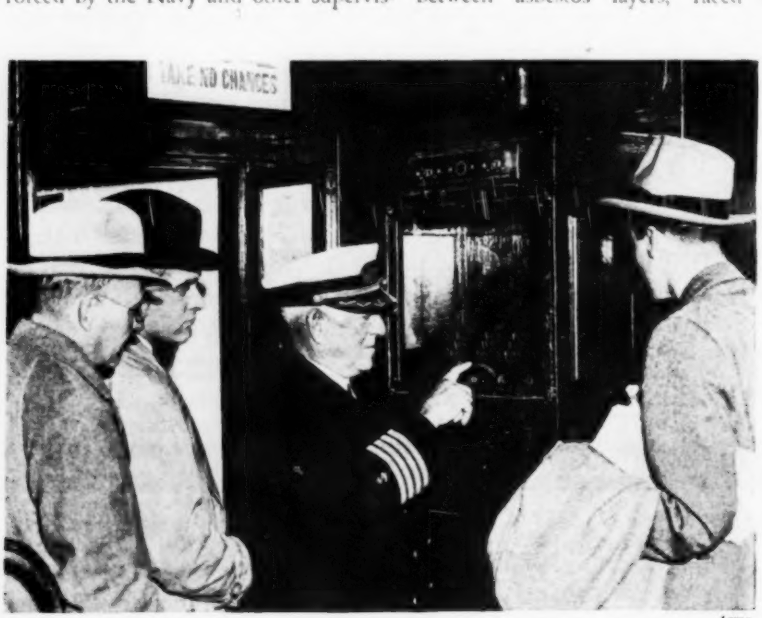
The same general methods can be used on fabrics—fire is kept out by taking the oxygen from the cells in the fibers which are then filled with a resisting chemical.

A chronic hazard is the passenger who accumulates a snoot full of alcoholics and drops a cigarette or cigar butt on a lounge cushion or mattress. Rugs, upholstery, and curtain fabrics can be guarded against this menace.

Upholstery a Problem

Mattress makers contend that you can't fireproof their product. Hair, for instance, is full of grease. But you can fire-treat mattress coverings and probably there are ways to apply similar safeguards to stuffing materials. Fireproof floor coverings (such as rubber composition) may supplant heavy fabrics. Certainly, aluminum and other light metals are going to be more generally used in ships' chairs, sofas, tables, beds.

On one point most shipbuilders agree—overdecoration is a common cause of fire at sea. In addition to drapes



Acme

FIGHTING FIRE AT SEA—Captain Henry Stephenson of the Grace Liner *Santa Rita* demonstrates in New York a fire detector which enabled him to stem successfully a fire which broke out in his ship 200 miles from Balboa. The blaze was confined until the boat reached the port.

In A Jointless-Minded World

Welding would prevail—and old methods of joining could not be restored to favor.

By E. A. DOYLE*

If welding had become the standard method of manufacture before mechanical types of joints were introduced, it would be difficult, indeed, to convince manufacturers that they should redesign their metal products to use mechanical methods of joining.

NO RETREAT—pipe line constructors would never consent to a change from simple, portable welding equipment to the complicated devices essential to other methods.

Welding Gives Strength

Strength would be a talking point for welding. The welded joint is strong as or stronger than the metal which it joins. The cutting of holes for screws or bolts would naturally weaken the structure. Appearance gives welding another vote. Joints made by welding are smooth in contour and have no depressions, bosses, projections or attachments as is often necessary in mechanical means of joining metals.

Costs Less to the User

Cost would be another argument for welded joints. The greater amount of material necessary with mechanical joints, the increased weight, and the decrease in pay load or performance-to-weight ratio, would make welding the preferred method. Nobody would consent to a joint in piping, which might, through a tiny leak cost much more than the permanently leakproof welded joint. Nor should it be necessary to buy expensive machinery to make mechanical joints which welding can equal in performance, economy and adaptability with a minimum investment in metal fabricating equipment.

Modernizes Automobile Design

Automobile manufacturers would insist on welding rather than consent to a return to the design limitations imposed by mechanical joints. In face of a change from "teardrop" designs to the old box-like bodies, with the attendant discomforts, with higher cost due to increased gas consumption and increased tire wear, with the fear of accidents increased by the lack of confidence in the joints, with appearance impaired and lacking the smooth surface for fine paint and lacquer finishes,

METAL FURNITURE—The welded joints in metal beds, chairs and other similar furniture assure a sturdy and rigid assembly.

—the automobile manufacturer would hesitate long before any but welded joints would even get a hearing.

In the Future

Farsighted industrial executives can appreciate that a completely "welding-minded" industrial world is not far off. They should use in their own manufacturing operations as many of the advantages of welding as possible. The welding engineers of The Linde Air Products Company can advise how oxy-acetylene welding could best be used in your plant. This service is obtainable without cost or obligation by application to any of the sales offices of The Linde Air Products Company located at Atlanta, Baltimore, Birmingham, Boston, Buffalo, Butte, Chicago, Cleveland, Dallas, Denver, Detroit, El Paso, Houston, Indianapolis, Kansas City, Los Angeles, Memphis, Milwaukee, Minneapolis, New Orleans, New York, Philadelphia, Phoenix, Pittsburgh, Portland, Ore., St. Louis, Salt Lake City, San Francisco, Seattle, Spokane, and Tulsa. Everything for oxy-acetylene welding and cutting—including Linde Oxygen, Prest-O-Lite Acetylene, Union Carbide and Oxweld Apparatus and Supplies—is available from Linde through plants and warehouse stocks, everywhere.

Exhibited at A Century of Progress

Users of oxy-acetylene welding and cutting, and other products and processes developed by Units of Union Carbide and Carbon Corporation benefit from a most unique coordination of scientific research with manufacturing, sales and service facilities. You are cordially invited to visit this Fall the welding demonstrations and the numerous other exhibits sponsored by the Corporation in both the Basic and Applied Science sections in the Hall of Science at Chicago's 1934 A Century of Progress Exposition.

BEAUTIFUL USEFULNESS—typified in this welded ornamental iron gateway. Every joint is strong, sound and was made inexpensively.

*Chief Engineer, Development Section, The Linde Air Products Company, New York, Unit of Union Carbide and Carbon Corporation.

(which may be supplanted by metal or composition screens), the walls of public rooms are ornate with carved wood paneling, columns, cornices, etc. These will be made fire-resistant or will give way before installations of metal.

Many accessories could be added to the list. For instance, sprinkler systems are generally not used in ships. The objection is that vibration, salt rust, etc. make upkeep difficult. Water-filled pipes would freeze in exposed positions. Sprinklers would be useless if pumps went dead. But none of these objections are insuperable. An air cushion could be kept in exposed pipes which would give way when the head melted. Also auxiliary pumps, independent of the main power plant, could be designed.

Copper companies were interested in the report that the tanks in the *Morro Castle* life-boats were corroded. Later inspection proved that, while the compartments were rusted somewhat, they were still airtight and seaworthy. This did not disprove the claim that copper or some other resistant to corrosion would be a better material for tanks.

Fireproofing is costly, but not prohibitive. A Shipping Board technician figures that complete compliance with National Fire Protection Association conditions would add 1% to the total cost of passenger vessel construction.

Uncle Sam—Price Cutter

To a good many harassed industries that permission to cut 15% from government contracts looks like permission to let recovery go smash.

THE $29-million contract covering construction of the Grand Couleé dam has just been signed. One of the largest pump-priming projects of the recovery program, its cost is expected to total $63 millions, *including materials that are to be supplied by the United States Reclamation Service.*

The italics mark the fly in the ointment for business and the reason why some manufacturers are calling Grand Couleé the largest single chiseling operation of the recovery. They are thinking of the Presidential order which permits those who sell goods to the government to cut 15% from their regular filed prices.

March and Countermarch

The original 15% order of June 29, 1934, directed that, after bidding on U. S. government or other public requirements, suppliers whose NRA codes provide for price filing should then file the bid prices. This implied that the prices quoted the government would become available for every buyer. Two weeks later NRA's legal department declared that the filing of prices quoted in bids was required "for information only," should "not effect a change in the bidder's prices then on file." However, this interpretation was upset when the President issued executive order No. 6767 permitting manufacturers to quote private buyers the same prices that were used in bids to the government, thereby voiding practically all the codified benefits of price-filing whenever any manufacturer elected to use the new door out of his code.

So far business itself has prevented serious damage to the recovery program. Inquiries made in the steel industry disclose no violations of the currently filed price schedules for the benefit of the government. In the various branches of the electrical industry filed prices have held. Minimum prices on lumber and coal are established by code authorities, and so are not susceptible to the 15% order. Investigation discloses that during the 2 months since the edict was passed, there have been comparatively few government bids of importance excepting on construction contracts. Despite the fact that each call for bids prominently emphasizes the chiseling privileges granted under the Presidential order, a number of code authorities consulted report no drastic price fluctuations directly traceable to it.

Spearhead of Attack

But those familiar with Washington tactics predict that the cement requirements for Grand Couleé will serve as the spearhead for the big push toward lower-than-filed prices. They remember the row raised by Secretary Ickes on the cement bids for TVA last spring. On that occasion the cement manufacturers were told that they would have to submit varying prices (which meant others than those arrived at under their approved code) or confront a government cement plant in the Tennessee Valley. The Secretary also proposed to award the contract to the single cement man who had broken the code—until the industry's protests forced a call for new bids which resulted in a distribution of the business among several manufacturers. Incidentally, all this happened while Mr. Ickes was trying desperately to get the oil industry to agree on a fixed price.

Cement requirements at Grand

Underwood

BUSINESS REBUKE—"Pressure" activities of some trade association-controlled code authorities have weakened government confidence in industrial self-government, Blackwell Smith, acting general counsel of NRA, told American Trade Association Executives at their annual convention in Washington last week. Seated is Paul S. Collier, president of the association.

Coulée are expected to top 3½ million barrels. The contract also specifies that the government will buy and supply 25 million pounds of reinforcing steel and at least 100 other items. These requirements reach into a large variety of industries and, with price-chiseling tactics strengthened by the 15% order, a wide-front attack on price-filing systems in codes is expected.

Points of Condemnation

Manufacturers in many lines, particularly those in 265 industries whose approved codes include some type of pricing plan, are wondering where they stand. They condemn the 15% edict on 3 specific counts:

(1) Prices on very few products can be cut 15% below filed prices without violating code provisions against below-cost selling, eliminating practically all chance for a net profit and thus wiping out possible income tax payments, causing general demoralization and a return to cutthroat competition—particularly if successive contracts mean successive 15% slashes.

(2) The open invitation to chiseling by the government is contrary to the Administration's widely proclaimed premise that recovery must come through higher prices.

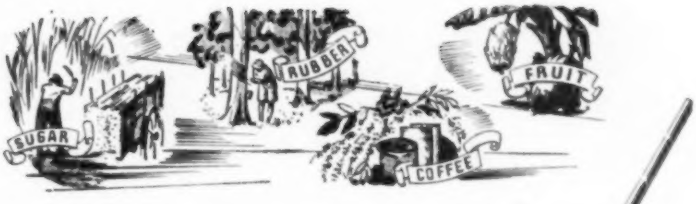
(3) It constitutes a clear breach of faith by the Administration.

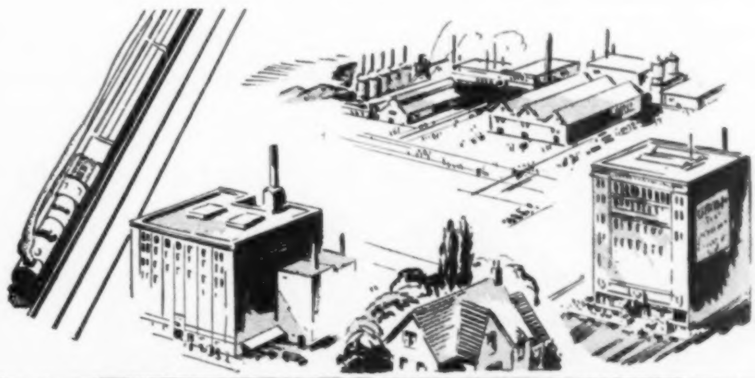
Guaranteeing that evidence on the first two counts can be supplied, if needed, they present formidable arguments in support of the third. The very first section in Title I of the Recovery Act declares it to be the policy of Congress "to remove obstruction to the free flow of commerce and . . . to eliminate unfair competitive practices." Complainants argue that when the government threatens or opens competition with private business in order to get lower prices, it is obstructing the flow of commerce, and that by issuance of the 15% order, it is actually inciting "unfair competitive practices."

Contractors Badly Hit

Branches of the construction industry—the contractors, for instance—are particularly upset. The 15% order hits them squarely in the nose. It encourages the construction of public works by day labor. They cite jobs under the Army Corps of Engineers and Mr. Ickes' Subsistence Homesteads Division, where contractors were asked to bid on labor only, simply because the materials were to be bought direct, under the 15% bargain.

Construction men also hold that the full benefit of the recovery program cannot be realized unless each industry is allowed to function in its proper sphere. While unwilling to speak for other industries, they want the 15% order rescinded as far as construction materials are concerned, and that just as quickly as possible.





New Products

New things, new ideas, new designs, new packages, new manufacturing and marketing methods.

WESTINGHOUSE appliances now are available with the initials of the buyers inserted at time of sale—or just before the sale. (See photo this issue.)

Business Week

LATEST in radio tubes is the "acorn," offered by RCA for amateur experimenters. It opens up micro-waves to the men who did so much for the short waves.

RCA will soon be out with the first amateur size sound-on-film camera. Children may now be heard as well as seen by visiting relatives. (See item, this issue.)

CARBORUNDUM announces a new wheel made from genuine South African diamonds, crushed and graded for fineness. It needn't be dressed like an ordinary grinding wheel, in fact, it can't be dressed. The diamonds stay permanently sharp, able to produce clean, un-nicked edges and flat tool faces without overheating.

Business Week

FOR its Gem razor, American Safety Razor Co has adopted this scarlet and black container of molded Durez. It is washable inside and out, has compartments for new and used blades as well as the razor.

A Food Code, at Last

Grocery manufacturers, looking over their code, decide that the long wrestle with Washington has left them in good shape to wrestle with chiselers.

THIRTEEN months of wrestling with AAA, NRA, and other groups of official New Dealers had squeezed grocery manufacturers so thoroughly dry of enthusiasm that the actual signing of their code on Sept. 21 brought no loud sound of clapping.

However, its approval marked the end of one of NIRA's most famous battles—of which the most important phases were fought behind the scenes. Higher-ups in official Washington put on pressure for code provisions that would rival the "Tugwell" bill. Some harassed manufacturers have even suspected that they would find feminine influence involved if they went high enough. In NRA itself, they had to cope with a persistent effort at alteration after the industry had agreed to a specific draft. This was credited to subservience to the same pressure.

Insiders contend that only extreme alertness and a solid front throughout the proceedings saved the industry from being saddled with a code that might have jeopardized the entire recovery program, so far as the food industry is concerned. In its approved form, the code is expected to benefit all branches of grocery manufacturing and distribution.

Defense Against Defenders

Every grocery manufacturer has been the prey of a variety of chiselers. In recent years chain competition has bred a flock of alluring schemes presumably designed to defend the downtrodden independent in his fight on the chains, but, in practice, chiefly profitable to the ingenious promoters. Manufacturers have been called upon to pay tribute to group buyers, managers of voluntary chains, etc., ostensibly for advertising, window display, listing of their products in promotion circulars. Amounts collected for those services ranged all the way from a few dollars a week to several hundred dollars a month. Furthermore, some "managers" had the goods billed to their group at one price and then collected further discounts, commissions, or fees as rakeoffs.

That type of holdup scheme is outlawed under the code. There are to be no "direct or indirect price concessions," rebates, free deals, brokerage fees, for any trade buyer. Sales must be made in accordance with open-price lists that declare "all the manufacturer's prevailing prices, discounts" and are published and available "for the equal information of all trade buyers alike." Where special sales or advertising cooperation is desired, a separate written contract must be made, and the concessions granted also must be available "to all competitive buyers in the same competitive market." Manufacturers say that the savings from this group of provisions may enable them to shade some of their prices, which in turn will mean lower prices for the consumer.

Others welcome a code clause which flatly forbids all wilful destructive price-cutting and prescribes the procedure to be followed in handling violations. They point out that Section 10 will further cramp the style of "gyp" artists in that it prohibits false or deceptive labeling, marking, advertising, deceptive containers, short weight, measure or count.

One important benefit is expected from the long delay in getting approval of a code. The grocery wholesalers and retailers were originally to come under the late-lamented "master" food code, which was intended to blanket all the production and distribution branches of the industry. When that plan struck various AAA and NRA snags, they decided to go it alone and, since January, have operated under separate codes (*BW—Jan20, 27'34*). However, they found that reasonable compliance in the distributing fields was impossible unless the source of products was under a code, and believe that now, with the manufacturers' code, leaks can be stopped.

Enforcement Machinery

Machinery set up under the new code will facilitate this. Aside from the regular code authority, there is to be a National Food and Grocery Manufacturing Advisory Board on which each manufacturing branch will have a representative, and which will act as the advisory planning and coordinating agency. In addition, a Food and Grocery Industry Conference Committee of manufacturers, wholesalers, and retailers will handle problems involving all branches.

Several food manufacturing industries already are operating under separate codes. The code just approved gives them the privilege of abandoning theirs and coming in under the big tent, which is what the remaining 20-odd industries not directly associated with the grocery manufacturers are expected to do also.

Those who have taken a leading part in this code battle point out that every effort has been made to create a setup that will give big and small manufacturers and groups an equal chance, and provide administration and enforcement machinery at a minimum of cost.

Tobacco's Exchange

A native American product offers commodity speculators its own pit and quotation board.

LATEST convert to the drive for orderly commodity speculation (*BW—Sep15'34*) is the New York Tobacco Exchange which opened to futures trading on Sept. 19. This, the first tobacco market of its type, is a few steps down Broad St. from the New York Stock Exchange. Supervision by the Department of Agriculture has been requested.

Some 80 members of the Tobacco Exchange offer a speculative cushion to absorb future price shocks. Members of the industry are invited to assist. In the South, cotton speculation is as common as hot biscuits. As soon as the tobacco country gets used to the idea that you can buy and sell future contracts as well as the tobacco itself, heavy reinforcements are expected. Tobacco folk have a saying that you can't grade tobacco and this formerly worked against the buying of unseen spots and ungrown futures. The Tobacco Exchange retorts that the government, cooperating with the states, already has fixed acceptable grades, that these are the basis for its deals.

The New York Tobacco Exchange inhabits handsome quarters designed for a bank. Its solar plexus is a single trading oval surrounded by phone booths for brokers. The usual reporter at the ringside signals deals to the recording staff. Thence they are passed on to the ticker and to the boy at the blackboard, which is green. A green-and-brown color scheme, symbolizing the growing and the cured leaf, is carried out even in the livery of the attendants. Graduates of the Cotton Exchange make up this personnel. White gloves on the staff are something of a shock to veteran brokers but it sharpens the visibility of the deaf-and-dumb finger talk which transmits sales and quotations.

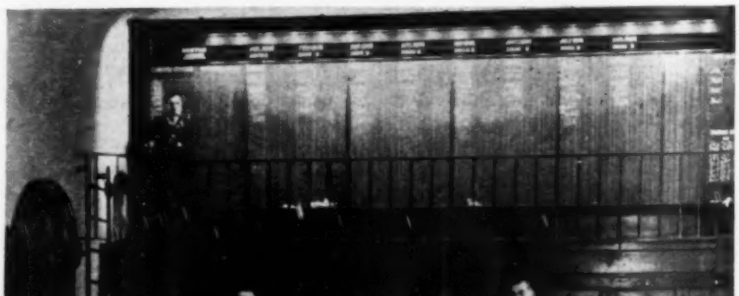
Wholesalers' Pool

Southwestern wholesale grocers combine buying activities but may hit a snag in the food code.

POSSIBLY as a long-planned step toward more advantageous buying, more probably as an answer to the recently formed 15,000-store food chain buying pool (*BW—Aug4'34*), an important group of Central and Southwestern wholesale grocers is planning to pool certain of its members' buying activities.

With warehouses located at St. Paul, Minneapolis, Milwaukee, Sioux City, Little Rock, Knoxville, Nashville, and other important distributing points, the concerns in the organizing group represent the cumulative buying power of thousands of retailers. They propose to use it by buying a list of universally sold products through a pool-controlled brokerage firm.

Those familiar with the newly signed master food code think that this move may strike a snag among its provisions. One of them brands the pay-



Business Week

TOBACCO MART—Wall Street's new Tobacco Exchange opens for trading in futures, with traders in the ring ready to begin operations.

ment or diversion of brokerage fees "to a trade buyer" an unfair trade practice. If the contention that a pool composed of wholesale grocers would classify as a trade buyer is sustained, the mass-buying activities would be restricted to imported items, such as coffee, tea, spices, etc.

Meanwhile, the chain buying pool previously referred to has already struck a snag. The Missouri Valley Wholesale Groceries Association holds that the proposed activities of that pool would drive them out of business and constitute an act in restraint of trade. It has appealed to Representative Shannon, who has asked Attorney-General Cummings to investigate.

Russia—the Trader

Berlin finds that Moscow is a shrewd bargainer, but scrupulous in meeting debt payments.

WHEN trade talks with the Soviets were renewed in Washington last week and Administration officials admitted that the "outlook is more favorable for some settlement," exporters revived their interest in Soviet credit standing and trade developments with other nations.

Berlin has furnished two of the most interesting reports regarding Soviet trade developments.

Despite Nazi antipathy to Communism, Germany has found it advisable to supply as many as possible of the country's raw material needs from Russia. Berlin still has a considerable balance due on heavy machinery shipments to the Soviets in past years when Germany drew the largest volume of Russia's foreign orders. Since the Germans lack foreign exchange to buy even normal amounts of foreign raw materials necessary to keep their industries operating (page 26), they are attempting to make the most of these Soviet credits.

Recently Germans have complained that the Soviets have taken advantage of the situation by quoting higher prices on their materials. And now, complains Berlin, not content with the additional profit realized in this way, they have started to import raw materials from third countries, selling them as "Russian." The Germans assert that they have specific evidence of such transactions in wool, linseed oil, hides, and minor commodities.

To curb this practice, Berlin is now demanding that all goods imported from Russia carry certificates of origin. But it is difficult to see why the Germans should be so upset. After all, on imports obtained from third countries they obtain against mark payments the raw materials for which they cannot pay in devisen. At the same time, Soviets reduce their indebtedness to Germany;

the only plausable explanation is that, by reducing these deliveries in kind, the Germans hope to force the Soviets to ship gold or to pay foreign exchange with which they can buy the stuff they want at normal world market prices.

The credit position of the Soviets in Berlin is first-class. They have never failed to meet their obligations, though more than a year ago certain maturities were extended by mutual consent. Of the large amounts due for payment in Berlin in 1933, it was agreed that 140 million marks would be extended into 1934, the repayments to be made in monthly instalments in the last 6 months of the year. When on Mar. 20 of this year a new agreement was signed between Germany and the Soviet Union, it was arranged that out of these 140 million marks, 30 millions only would be repaid in 1934, while the balance of 110 millions should be further prolonged for a period of 14 months.

The Berlin Soviet Trade Delegation has now announced that it will avail itself of this privilege to the amount of 85 million marks while the remaining 25 millions will be paid at maturity. This decision is apparently indicative of the "liquid" position of the Soviet government at the present moment owing, mainly, to the sharp increase in gold output. The Russian delegation itself claims that by this step it wants to demonstrate its resolution to reduce its foreign short-term indebtedness as quickly as possible.

Germany Rations Foreign Trade

Dr. Schacht, import dictator, puts German foreign trade on war basis. Nothing can enter the country without his permission. U. S. products affected.

BERLIN—Sept. 24 is the birthday of "foreign trade planning" in Germany. Since that date, all the foreign trade of the Reich has been under the absolute control of Dr. Hjalmar Schacht. Not a bale of cotton and not an adding machine can enter the country until one of his recently-created "import control boards" has issued a permit. This "New Plan," as Germany calls it, is probably the most revolutionary measure to which the foreign trade of a capitalist country has been subjected in peace time.

Before the beginning of each month Dr. Schacht, as head of the Reichsbank, will advise the Minister of Economics, also Dr. Schacht, what amount of foreign exchange will be available for the payment of imports. This might amount to 300 million marks for one month. Dr. Schacht will then distribute this amount among the 24 import control boards. The cotton control board might be allocated 50 millions, the mineral oil control board 40 millions, and so on down the line. Control board directors then parcel out their funds among individual applicants.

While with an organized trade and efficient "controllers" this system might work fairly smoothly as far as such staple commodities as cotton and copper are concerned, business views with no little apprehension the future operations of Control Board No. 24 which is to handle "miscellaneous products," which includes innumerable small items covering, probably, more than half of the nomenclature of the German tariff. There can be little doubt but that, in the race for the maximum quota of foreign exchange that is bound to develop among the control boards, No. 24 will be the loser. Dr. Schacht has made it no secret that 95%, if not 99%, of all foreign exchange available will be given to raw materials and semi-manufactures. American "specialties" will be among the sufferers.

There are, furthermore, to be 2 kinds of foreign exchange permits. The first one will be for cash payments within the next month. The other will represent a "binding assurance" on the part of the Control Board that the importer will obtain the necessary amount of foreign exchange when the goods arrive (if bought for forward shipment) or when the draft becomes due (if bought on 1 to 3 months' credit). Official instructions already issued by Schacht leave no doubt as to the real meaning of this differentiation of permits. "To start with, cash permits for imports of raw materials will only be issued by way of exception since the available reserves of foreign exchange are exceedingly limited." Whenever credits have been granted in the past by foreign shippers, the board has to insist on similar credits being granted in the future by refusing "cash permits"—the instruction bluntly states. Naturally, this brings into the whole picture of planning an element of uncertainty which is already worrying the trade. To plan the "cash permits" for one month ahead may be a relatively easy matter. To give a "binding promise" that the foreign exchange will be available several months in advance—when some new obstacle might reduce the volume of German exports—is a risky and speculative affair. In the light of his experience in the past 12 months,

even the lucky possessor of a "binding assurance" is likely to pass many a sleepless night before his goods arrive, or his draft comes due.

Exporters Worried

All official pronouncements in this matter reiterate the stereotyped assurance that export industries will receive preferential treatment in regard to all foreign raw, and other, materials which they may require. These assurances have so far failed to comfort manufacturers. How, they ask, is this to be controlled? The matter would have been comparatively easy if some manufacturers worked only for export while the others sold their entire production in the domestic market. But, in practice, none of them can say with certainty what percentage of their production will be sold abroad. The bale of wool or cotton entering the mills cannot be "earmarked" in advance "for export" or for "home market." Matters could even be arranged somehow if a kind of "current account" for the material in question were to be allowed for the individual manufacturer. But he is ordered to apply in advance for each individual transaction—to *ask* for cotton after he has *sold* the yarn or even fabric.

No wonder that export industries are in a state of panic, that they fear that this *import* control system will end by destroying the infinitely intricate and delicate machinery of German exports.

"Centralization" is one of the main features of the New Plan. It is noted with apprehension and dismay, especially by provincial manufacturers, that out of 24 control boards, 21 will be located in Berlin. Only those for cotton and tobacco will have their domicile in Bremen, the main port of entry for these products, and that for furs in Leipzig, the center of European fur trade.

Theoretically speaking, nation-wide planning is only possible by a central body, yet provincial interests fear they will find themselves at a disadvantage compared with metropolitan colleagues or with "provincials" that have the necessary "contacts" in the bureaucracy.

American Trade Hit

The United States will suffer in the New Plan. It has long been Germany's largest source of imports. It is true that cotton, copper, and oil and gasoline have been major items and that they can be expected to be consumed in large volume still. But, even here, Dr. Schacht will bargain purchases against sales of German goods. A delegation is on its way to the United States now to dicker for trade concessions for German products in return for large cotton orders.

In recent years, nearly 15% of Germany's huge purchases in the United States have been finished products which now enter Germany under Control Board No. 24. This means nearly $50 millions of goods in a normal year.

Business Abroad

German import control system goes into effect. French loan meets with better than expected success. Soviets make progress in the air. Tokyo and Moscow settle on price for Chinese Eastern. More gains in Latin America.

Europe

EUROPEAN NEWS BUREAU (*Wireless*)—Foreign trade bargaining held Europe's interest this week. Dr. Schacht's move bringing all German import trade under government control was the most important move, and involved the greatest amount of business. Negotiations within the gold bloc (France, Belgium, Holland, Switzerland, and Italy) to lower tariff barriers among themselves and thus attempt to stir foreign trade into fresh activity are meeting with difficulties. It is not likely that any important result will be accomplished. It is even probable that this is one more subterfuge on the part of the governments of all these nations to keep their nationals from anticipating a drop from the gold standard. London, at any rate, thinks that French devaluation is imminent.

Doumergue Wants More Power

Despite the apparent good reception by the public of the French government financing, conditions in France are not improving. Doumergue's bid for greater power only emphasizes the probability that internal political friction is expected to flare forth again soon and that the government is hoping to prepare for it. Further weakening of the pound-franc exchange this week is not favorably received in Paris, where it is realized that the other members of the gold bloc are hardly in a position to withstand new competitive pressure from the sterling bloc. It will not surprise Europe if the British allow the pound-dollar rate to drop to $4.85 and the pound-franc rate to 70. If this is their plan, the present season when British imports are heavy and the demand for sterling relatively low is the time to accomplish it.

Payment in Goods

Apparent settlement of the price which Japan is to pay Russia for the Chinese Eastern Railway is expected in Europe to ease considerably the war tension in the Far East. It is noted that a part of the payment to Russia is to be made in Japanese goods. This is in keeping with present trends to barter in every possible deal with other countries. With exchange clearing offices multiplying each week, a good deal of the trade of Europe is now handled on this basis. Despite sentiment against such a system, it is spreading rapidly on the Continent. Britain has not yet backed it in any large way.

Developments in Russia are watched closely by every large European country. Breakdown of the transport system again this year during the rush of grain deliveries emphasizes the country's immediate need of a large quantity of rail equipment. Though freight traffic is almost three times the pre-war level and passenger traffic has increased even more rapidly, the increase in the number of locomotives and cars and extension of railway mileage has nowhere kept pace. It is understood that one of Russia's first purchases abroad, should credit be made available, will be rolling stock.

Moscow is particularly proud of its aviation industry. The report is making the rounds in the Red capital that the French aviation mission which visited the Soviet Union last spring carried word to Paris that the Soviet aviation industry would soon be second to none. That is said to be one of the main reasons that France is so eager for a Franco-Soviet military alliance.

The Soviets are soon to witness the maiden flight of a newly designed type of plane, the All Steel Alksins, a 3-seater, completely electrified and equipped with radio.

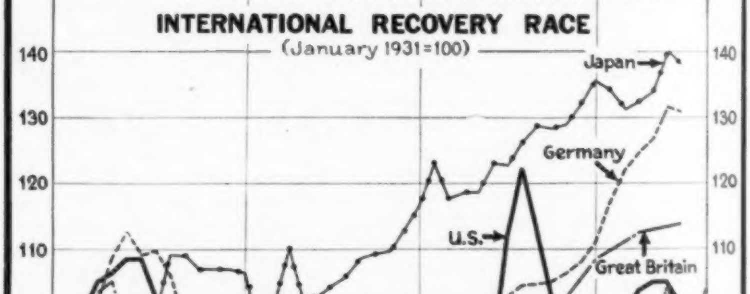
Russians are proud of their progress in aviation and conspicuously reprinted reports from the Danish press announcing that at the recent international aviation exhibition at Copenhagen, the Soviet exhibit attracted more attention than that of any other country.

Russia's automobile industry is also making rapid strides. Although most of the cars one sees in the Soviet Union are still of foreign make, Russian-made cars are appearing in increasing numbers. Only a few days ago the 50,000th car left the conveyor of the Stalin automobile plant. The growth of this Moscow factory is characteristic of the industry. Beginning with the production of $1\frac{1}{2}$ ton trucks, the plant then was made to include the assembling of automobiles from imported parts. Later it added the production of 3-ton trucks. This same plant is now being further enlarged and is scheduled to produce annually 70,000 trucks and 10,000 7-passenger automobiles.

France

Anticipating political crisis, Premier asks for constitutional changes and full authority to act without Chamber consent. Government loan well received.

PARIS (*Wireless*)—Frenchmen devoted one evening this week to their radios. Speaking from Paris, Premier Doumergue declared that France faces critical problems this fall. Despite the balanced budget (many question the reality of this contention), and the economies which are supposed to reduce the cost of living (these have been only



INDUSTRIAL PRODUCTION—Japan, Germany, and Britain touched "bottom" first in the depression, and maintained their gains. Canada and the United States move together, with the extreme high in the United States last year due to unusual steel and textile activity, and the recent decline to textile troubles and steel's sluggishness. Many Frenchmen believe that franc devaluation would stimulate business. Only activity relative to January, 1931, is measured, not comparative volume of production.

partially successful so far and have made but a small dent on extremely high living costs in the cities), the franc is threatened with devaluation. Not only may its position be weakened by other members of the gold bloc finding it impossible to cling to their position, but within France there is a growing group demanding a cheaper franc. The premier ignored these protests of the opposition and declared that his government was pledged to hold the franc at its present value.

Communist Threat

Real problem in the eyes of the Premier is the political threat from within the country. He spoke definitely of both Communists and Socialists. He asked the country for power to change the constitution so that a Premier could go straight to the people when a majority in the Chamber of Deputies disagrees.

Frenchmen trudged off to work the next morning not quite sure of the significance of all that they heard. Only a few realized that Premier Doumergue's demands, if they are accepted by the French people, will mean some of the most radical changes the country has experienced since the founding of the republic. There are many who are unwilling to give up this much power to one man, despite the examples in Rome, Moscow, Berlin, and Washington of "authority vested in one man."

Despite the continued weakness of government bonds on the Bourse, the new treasury issue is going well. Contrary to earlier expectations, based on the bad reception which the July issue received, the current issue may bring in sufficient subscriptions to ease the loan situation for some time.

Only a few other developments attracted attention. Negotiations of the gold bloc nations at Geneva are making progress slowly. There is still disagreement on any plan to set up among them a stabilization fund to counter moves against their currencies by the British and American funds. France is expected to stand a larger share in any such "stabilization pool" than Paris is willing to meet.

Great Britain

Business steady. New industrial gains. Building Exhibition attracts wide attention.

LONDON (*Cable*)—The tone of British business is good, with the result that funds are continuing to move into industrial shares. Volume business, however, is still small compared with totals 5 years ago. As a result the Stock Exchange has voted definitely not to open on Saturdays despite the strong urging of a small group of traders.

There are other signs of improvement. Automobile registrations in July totaled 29,900, compared with 26,400 in July, 1933. In the last 10 months, automobile registrations have advanced 22½% over the previous corresponding period. Tourists are visiting Great Britain in larger numbers. For the first 8 months of this year the total was 16,000 greater than in the same period last year.

The annual Building Exhibition has attracted more than normal interest this year because of the building drive by both national and local authorities. There are 333 exhibitors. Steel is outstanding. The British Steelwork Association has a stand demonstrating the variety of steels and methods of construction. The British Oxygen Co. exhibits a steel-frame structure entirely arc welded, the main truss put together at the company's works, the other parts welded on site. Of the new building materials introduced in recent years, the most popular seems to be the asbestos-cement group. Turners Asbestos Cement Co. makes a feature of their new "Turnall" building slab—6'x2½'x2", and of their "Turnall" asbestos reinforced aluminum foil, produced to meet the increasing demand for an efficient low-priced heating insulation material for use in building construction.

Germany

Industrial production steady. Industry worried over working of new import control scheme. New banks are banned for 18 months.

BERLIN (*Wireless*)—First importance is attached to the working of the new import control program (page 26) but it is too soon yet to know how well it is functioning. Without doubt there will be a congestion of applications due as much to bureaucratic inefficiency as to the protests of neighboring countries that it violates the clearing arrangements they had made with Germany previously. Individual industries are desperately trying to work out their own barter deals with suppliers of their raw materials, but only a small percentage of them will be able to make any agreements in the short time at their disposal before they must replenish stocks.

Industrial activity continues at steady levels, but there is fear of a fall recession at home, particularly if the import restrictions begin to retard business and reduce employment.

Berlin's compromise with British textile interests concerning payments on deliveries at Hamburg is evidence that the country dreads any open rupture with good customers.

Within the last year the Nazis have issued more than 30 decrees prohibiting new industrial plants or the expansion of existing ones. Suppression of "excess capacity" was the official motive.

Banks have most recently come under the ban. No "bank control board" has yet been created, but Berlin expects one eventually. Meanwhile, the government and the Reichsbank have decided that between now and the end of 1936 no new banks or credit institutions are to be allowed. Before this period expires, it is expected that some kind of complete licensing system will be established.

Significantly contrary to Nazi economic ideas, the present decree is not directed so much against private as against public banking. Private banks have materially reduced branch offices since the crash of 1931. Also, the merger of the Deutsche Bank and Discontogesellschaft led to a material reduction of duplicating branches. Public banks, on the other hand, have shown a tendency to expand, especially since the Nazi arrived. It is stated on good authority that the intention of the State Bank of Brunswick soon to open 11 new branches in various towns of Middle Germany caused Dr. Schacht to intervene and to protect private banks.

Far East

Typhoon damage in Japan totals $180 millions. Moscow and Tokyo come to terms on Chinese Eastern Railway.

JAPAN suffered a major crisis this week when a typhoon ravaged the great industrial area around Osaka and Kyoto. Damage is estimated at more than $180 millions, and the loss of life is heavy. Prices advanced slightly on first reports of the catastrophe, but they are again steady. Rice would no doubt have advanced much further than it did because of the damage to the crop were it not for the government's control over prices.

Of greater significance in the eyes of the world at large was the preliminary agreement during the week between Russia and Japan on the sale of the Chinese Eastern Railway. Original price asked by Russia was about $130 millions. Original offer by Manchukuo was $14 millions. Actual price paid was $50 millions, including about $9 millions for a retirement fund for Soviet employees of the line.

Terms are Settled

One-third of the sale price is to be paid Moscow in cash instalments running over 3 years. The balance is to be absorbed in Japanese goods, including food, engineering products, and ships.

Manchukuo gets possession of the line as soon as the agreement is formally signed. It is expected now that this will take place in Tokyo by mid-October.

If this carries through, Japan, through Manchukuo, will come into the possession of 1,000 miles of railroad crossing Manchuria from west to east and built originally to connect Siberian and European Russia with its only Pacific port of any importance—Vladivostok. The section of the railroad in Manchuria has long carried vast quantities of soy beans and other local farm products to the Russian port for shipment abroad. This traffic will end now and the goods will reach the port of export either at Japan's new northern port at Rashin or at Dairen (*BW—Apr26'33*). Also, the deal presumably ends a nationalistic, face-saving effort on the part of Japan to rush parallel lines in northern Manchuria to assure military protection and to cut the value of the Chinese Eastern to a price within reasonable reach of the Japanese offer.

Japan's investment in the South Man-

churia Railway continues to return a good profit. Dividends of 8% have just been announced for the year which ended Mar. 31.

One of the sorest points in Soviet-Japanese relations is removed with the settlement of the Chinese Eastern deal. There are others which can plague the two countries. Most important is the fishery problem in the Kamchatka region. Japan has long fished in these waters on a contract which expires in the spring of 1936. Each year terms are reconsidered. For several years there has been friction between the two countries over these terms. Anything can happen when the time comes for the whole contract to expire or be renewed.

Latin America

More business gains. Argentina in market for steel products. Venezuela to stabilize bolivar.

OPTIMISM over economic progress in Latin America continues to spread. Coffee and sugar prices, important to many countries in this region, continued to rise this week. World demand for raw materials produced in this region was good. Securities listed in both New York and London were in demand at higher levels.

Steel reports that the Argentine government is inquiring for 8,000 to 15,000 tons of galvanized sheets for locust "barriers," and 6,000 tons of seamless steel pipe for its oil fields. Standard Oil is to purchase upwards of 10,000 tons of steel for rebuilding its Argentine refineries, recently damaged by fire. American iron and steel imports in August—32,148 tons—were almost double those in July. For the eight months this year, the total—217,732 tons—is 13% less than in the same period in 1933.

Mexico Prosperous

Mexico continues to furnish encouraging business news. Steel plants are operating at capacity. Retail trade is active. The country's best tourist season in many years is coming to an end with the government determined to complete construction of a number of hotels and long stretches of road before another year.

Venezuela is in the unique position these days of trying to stabilize her exchange downward. One of the few countries in the world with no external debt, and having also a favorable balance of trade, Venezuela's bolivar has been climbing steadily in foreign exchange markets. This is beginning to react unfavorably on the country's exports and to throw internal economy out of gear. To curb this tendency, the Venezuelan government, with the cooperation of the huge oil companies whose exports provide most of the foreign exchange of the country, is buying gold in London. Bolivars are sold to the oil companies at a fixed rate to acquire the foreign exchange with which to make these gold purchases. In this way, the exchange value of the bolivar will be managed, and the export position of the Venezuelans improved.

Canada

Central Bank offering oversubscribed. Silver exchange booms. New Companies Act Oct. 1.

OTTAWA—The Finance Department's offering of 100,000 $50 shares of stock in the Bank of Canada, the new Canadian central bank which is to come into existence after the first of the year, was oversubscribed in four days, it is estimated, by 100%. Subscriptions were confined to Canadians and the maximum allotment was set at 50 shares, but owing to oversubscription and the government's policy of having ownership distributed as widely as possible, the allotments will be cut down. Dividends are fixed at 4½%.

Following the success of this flotation, the government will bring on its large conversion loan early in October. Arrangements for the offering are now completed. In recent years these loans have been handled by committees composed of bankers and other leading financial men, but the last two loans have been managed by the Finance Department itself, the business being done through banks and bond and brokerage houses which received commission. The new loan will be conducted in this way also.

Smaller Notes in Canada

Canadian chartered banks are to follow the lead of the Bank of Canada in the matter of the size of bank notes. They have decided to reduce the size of bills from the present 7½"x3⅜" to 6"x 2½". The new bills will be slightly shorter, and a little wider, than American bank notes.

Although the Montreal Stock Exchange is proceeding with the setting up of its new silver exchange, designed to be the continent's center of silver trading, Finance Minister E. N. Rhodes has declined its request for assurance that the government will enact no restrictive measures in connection with silver. The minister holds to the traditional attitude that the government cannot announce in advance what its financial or fiscal policy will be. The Montreal silver exchange is coming into existence because of the prohibition on silver trading in the United States.

Gold Rush

Canada has a new gold rush reminiscent of the trail of 1898 to the Yukon. It is on the Sturgeon River, in Ontario, north of the western end of Lake Superior, Port Arthur being the jumping-off point. Prospectors have been staking claims for the last two months but news of the importance of the field has only recently got abroad. Now the rush is in full tide. Ontario's Mines Minister is responsible for the statement that there isn't a single able-bodied unemployed man in the city of Port Arthur, all having become gold-seekers or workers in the new field. Ontario government geologists report that any one of the groups of claims examined by them would rank as an important discovery.

Canada's New Companies Act (*BW—Jun16'34*) passed at the recent session

Keystone

CANADIAN BANK HEAD—Graham Ford Towers, at 37, becomes first governor of Canada's new central bank. A Dominion citizen, he has been with the Royal Bank of Canada.

of Parliament comes into force Oct. 1. It is an almost complete revision of the law hitherto governing the incorporation of companies under federal charter and the operation of such companies. The act was the outcome of two or three years of investigation and preparatory work by the law officers of the government, and was inspired largely by the rather widespread mulcting of the investing and speculating public during the late boom years by unsound corporation enterprises employing high pressure promotion methods.

The immediate purpose of the new law is to prevent, with the return of prosperity, a resumption of the exploitation of the public by shady stock promotions. Outstanding provisions of the law now coming into force are designed to protect the ordinary investor from the wily and high pressure methods of the promoter and from his own gullibility. Stringent regulations are imposed upon the issuing of prospectuses of stock flotations. Company directors and officers are held responsible for carrying out these provisions.

The new law does not parallel U. S. enactments dealing with the same subject but is intended to give the Canadian investing public such protection as the federal authorities can provide, within the limits of the constitution, against recurrence of conditions revealed following the collapse of the pre-depression stock market boom. It is still hoped that the provinces will enact corresponding measures, but for the present the restrictions will apply only to corporations operating under federal charter.

Canadian Radium

Production is being doubled this year, but costs are still high and output is small compared with Belgian Congo.

OTTAWA—Canada's recent expansion of radium production has been made the basis of many rumors abroad, some of which are without foundation.

It is true that the Dominion's Great Bear Lake deposits are yielding a steadily increasing volume of pitchblende, from which radium is extracted at the Port Hope plant near Toronto. That plant, when it opened in January, 1933, had 2 units for radium production and 2 for the production of soda uranate, the most important byproduct. The radium capacity is now being doubled.

The Port Hope plant is on a self-sustaining basis and is making regular shipments of byproducts to Europe, and occasional shipments of radium. In July of this year, it had on hand orders for radium to the value of $200,000. In 1933, the plant refined 58 tons of pitchblende, from which 3,021 mgm. of radium were taken.

Belgian producers, operating in their African colonies, still dominate the world market for radium. In meeting this competition, Canada is forced to work pitchblende deposits located within the sub-Arctic region, 1,400 miles by water from the nearest railhead at Waterways, Northern Alberta. Water transportation rates between Great Bear Lake and railhead were reduced this year to $10 a cwt. on merchandise and supplies going in, $5 on ore coming out.

Air Shipments

Eastern Air Lines wins right to carry air freight in bond.

To ship, by air, in bond will become a reality as soon as Eastern Air Lines, Inc., completes instruction of its employees in their new responsibilities.

Goods coming into the country by air or steamship from any foreign nation can be transported via Eastern Air Lines under bond for delivery at any city where there is a customs house; transport and export shipments passing through the United States en route from one foreign nation to another may be flown in bond from the port of entry to the port of departure.

The new project will have special significance for Latin American nations and the American firms dealing with them. Eastern Air Lines connects at Miami with the services of Pan American Airways which extends through the West Indies, Central and South America. Twenty cities on Eastern Air Lines have customs houses.

Money and the Markets

On second thoughts, bankers feel better about financial and legislative outlook. Wall Street is disposed to anticipate "swing to the right." Demand and supply get freer play in commodity markets.

Money and Banking

APPREHENSION over monetary developments, so strikingly prevalent a week ago, was measurably relieved this week with the government's financing accomplished, more orderly and stronger security markets, and some degree of understanding over the formerly mysterious fluctuations in foreign exchange.

Even the concern of the banking world over the prospects of radical new banking legislation from the next Congress subsided with the issue brought frankly out into discussion. Greater deliberation took most of the credence away from the dire predictions that Washington was going to seize the banking system lock, stock and barrel just because bankers preferred 4-year 2½s to 10-12 year 3¼s in exchange for called bonds.

Major Banking Issue

The issue on banking boiled down to the one major question of whether authority now presumed to lie with directors of 12 Reserve Banks but actually centering in the Secretary of Treasury would be officially turned over to one central authority. In addition, there are the several emergency banking and monetary powers of the present Administration which must be put into some permanent form. As the situation stacks up, there appears to be excellent opportunity for the banking community to have a part in the revamping that seems in prospect for their institutions this winter.

By mid-week it was apparent the Treasury had induced most holders of the $1,250 millions Fourth Libertys to accept either long- or short-term obligations in exchange instead of demanding cash. Books were closed Monday on the short-term offer with a total of $596 millions in applications for this issue. An additional $250 millions of applications for 3¼% bonds were on hand at that time and, with the bonds still demanding a modest premium, it was apparent that acceptances would continue up until the Treasury closed the books. Allowing for the substantial portion of called bonds that invariably do not appear it was calculated that not more than $200 millions would be presented for cash on Oct. 15.

The dollar continued strong in foreign exchange and, in so doing, confirmed the renewed confidence of the financial district that further devaluation was remote. Corresponding weakness of the pound, which had given rise to some wild talk that London was anticipating and preparing for another advance in the U. S. gold price, was definitely set down as a natural seasonal development. The financial markets went to the other extreme of discussing possible early stabilization, although that seems as remote for the time being as further devaluation.

Rising prices for silver currencies and metal accompanied reports that the government had resumed foreign purchases of bullion which would serve to arrest the advance in dollars. Such a move would be in line with the policy of limiting fluctuations in either direction.

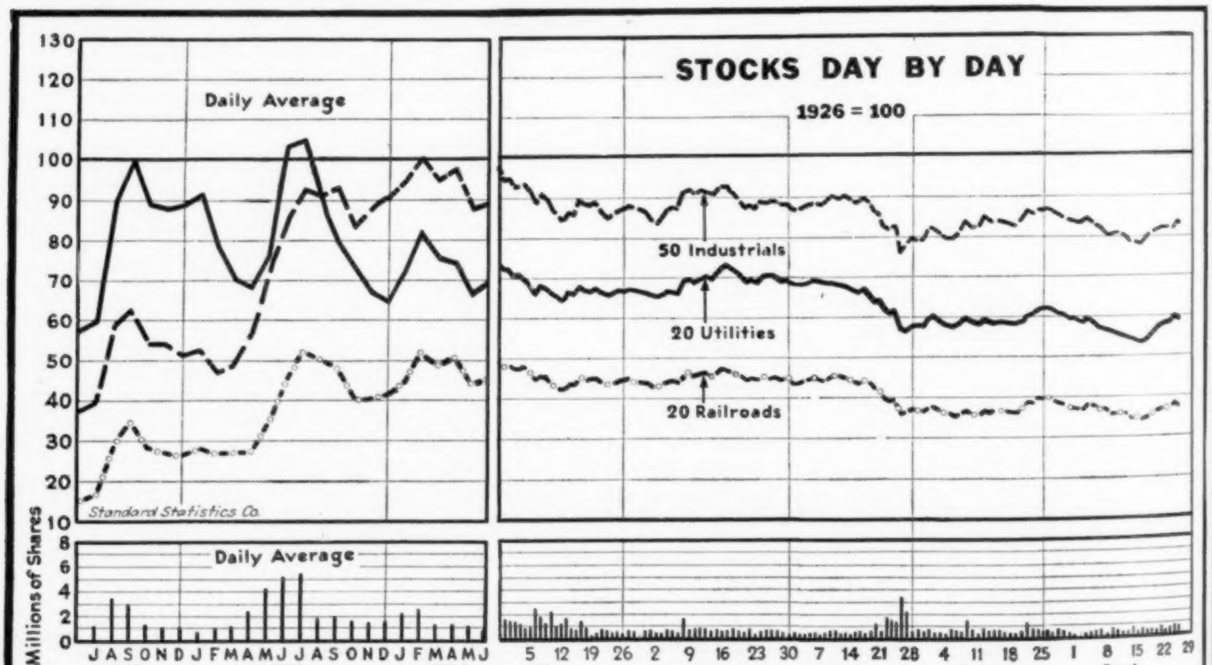
Bonds

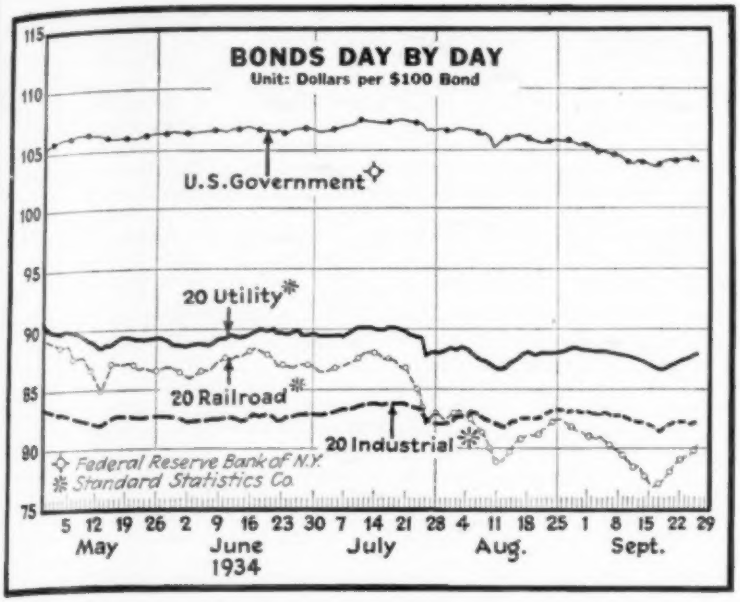
RAILROAD and utility bonds, until recently the most abject of the list, have returned to favor in anticipation of a more tolerant attitude toward these industries in Washington. Whether or not this position will be warranted by events, it is a part of the newest feeling of the financial district toward the Administration.

Government bonds held firmly but were not able to make much headway, traders feeling that keeping the books open on the new 10-12 year 3¼s tended to impede the market, since it left undetermined the volume of new long-terms to come into it.

It was indicated that any Treasury support for the market was in the guaranteed HOLC and FFMC issues rather than in direct obligations. Weakness in these bonds embarrasses the government's program of extending relief to distressed mortgagors, since holders of the mortgages dislike to take bonds selling at any considerable discount.

Whether or not they are receiving actual buying support, much favorable publicity is being generated for their benefit. A ruling of the Attorney-Gen-





eral that the guarantee on them was absolute and unqualified was given wide circulation. It followed the ruling of the Comptroller of Currency a week ago that the bonds were as good as governments for bank investments. Even the Federal Court decision that the Lemke-Frazier mortgage moratorium act was unconstitutional has brought no reaction from Washington, which would probably like to have people believe that mortgages are collectible since they form the security for these bonds on which the Treasury is liable.

Stocks

Stock trading assumed healthier characteristics this week, market interests shedding the intense pessimism of recent weeks and finding many encouraging straws upon which to base hopes for a brighter future. For the time being, at least, speculative interests have foregone the thought of radical inflation. Brokers' gossip attributed conservative tendencies to the Administration, and in its usual manner, probably went farther in that direction than was justified by the facts upon which it was working.

Predictions were broadcast that not only was the trend toward the right, but official expression would be given to this change of front. However, the stock market is traditionally shortsighted politically, and its impressions are not being confirmed by more astute prophets of the course of Administration policies immediately ahead of election.

It seems significant, however, that the speculative community could find so much encouragement in the abandonment of inflationary prospects. Expression was given to the change marketwise by the selling of metal stocks and other primary "inflation" issues, and the buying of railroads and utilities in which governmental interference has been most feared. There was also considerable buying of merchandising, amusement, farm implement shares that stand in line to benefit from the seasonal business improvement which, according to the interpretation of the Street, would result from a clear-cut reversal of governmental policy.

Organization of the Association of American Railroads and the election of John J. Pelley, highly regarded president of New Haven, as its head was a heartening development aiding the rails whose one greatest weakness has been the marked lack of cooperative effort in presenting their case either in Washington or to the public.

Public utility prospects were materially enhanced a week ago on a Federal Court decision that government money could not properly go to erect new municipal generating capacity which would compete with existing systems. When Secretary Ickes followed this decision by disallowing an application for PWA money for an El Paso hydroelectric plant, the outlook of the power companies was thought to be even brighter.

Hope to Turn the Tide

The stock business has been casting envious eyes upon the Canadian and British markets for the last several weeks during which exchanges in those countries have bulged with business and shown advancing prices in contrast to the stalemate in trading here. Suspicions that much of that business was on American capital fleeing either from over-zealous regulation or unstable money here, made the spirit no better.

As fear for the dollar disappeared and greater confidence developed in sympathetic and sensible regulation by the Securities and Exchange Commission, brokers began to dream not only of repatriating American business lost for several weeks, but of attracting some of the active foreign demand. In the light of reports that a plethora of English investment funds is restricted to domestic and empire issues that are selling at 15 and 20 times earnings, it is thought the levels of American stocks should appear extremely attractive were major uncertainties removed to an extent where these funds could be attracted.

Commodities

Speaking broadly of all commodities in relation to price prospects, it is becoming increasingly apparent that the fundamental factors of supply and demand will be meeting less outside interference henceforth and consequently should exert their influences more readily and effectively. Business cannot, naturally, afford to forget either Washington or the foreign price-controlling agencies. To a considerable extent, however, the artificial devices have either attained an acceptable status for the commodities affected or are recognized as failures. They must be kept in mind in gauging these specific items and also as a tendency always working for higher prices in the entire price structure, but their place in the picture is now pretty clear.

With relation to supply and demand, there are two outstanding facts that business has to consider. One, on the supply side, is that crop failures, droughts, restricted production, actual destruction have brought stocks back probably as near normal as is possible. Second, on the demand side, is the fact that consumption over the next 12 months should be heavier than during the last year.

Demand Factors

This demand outlook is predicated upon better employment, better farm income, evidence of sustained business in consumption goods, and necessarily heavy government purchases for relief purposes.

Barring new and unexpected interference, these factors in combination point to a continued upward tendency, less steep than that of the last year and with as many or more temporary setbacks. The advance must be slower because buying power is recovering but slowly. It has been well demonstrated that all the power of the government cannot force people to buy beyond their means and those means are still deplorably small.

For the moment the realization that artificial influences are likely to be less important on prices has given rise to considerable irregularity in the more speculative commodities. Although the prospects of inflation have been minimized for some time, there nevertheless remain large speculative positions that were built up earlier in anticipation of inflation. Particularly in grains some concern has been felt about the large open position. The stability of the market in the face of severe pressure from world prices last week indicates, however, that the actual strength of the domestic situation is the dominant factor in grain prices.

Declines in foreign markets last week actually put the domestic price to a point where it would permit importation of

wheat over the 42¢ import duty. Argentine wheat was reported available, delivered to the Eastern Seaboard, at 68¢ per bu., equivalent to $1.10 duty paid, against quotations of $1.14 for a corresponding domestic grade. Little of the grain would ever come in. For one thing, the Argentine market is depressed abnormally for the moment because it is necessary to get old wheat out to make storage room for new grain. The wheat could only be used for blending with higher grades of domestic wheat and it would have to be moved inland to milling centers which would take away most of the prevailing price differential.

Sugar prices indicate that importations from Cuba may be resumed within the next month or 6 weeks, presumably at the Cuban minimum price of 2.29¢. The stock built up in this country ahead of the tariff treaty has been drawn down some 60,000 tons or around 25% and trade sources estimate that, at this rate, the cheap stocks will be gone before the end of next month. Prices on warehoused sugar firmed up to 2¢ this week and as the supply declines will inevitably approach the 2.29¢ level.

Heavy ginning of cotton indicated that the final crop was going to exceed the 9 million bales predicted by the government and offset the mild influence of the textile strike settlement. Prices are down to the 12¢ government loan value.

Instalment Stocks

Monthly payment plan for securities gets Wall Street blessing.

Stock and bond selling on the instalment plan is the latest idea offered to Wall Street by Distributors Group, Inc., one of the leaders in the successive waves of investment trusts and group investments. It is not the first instalment plan attempted in securities but the first to start with the tacit blessing of the Street.

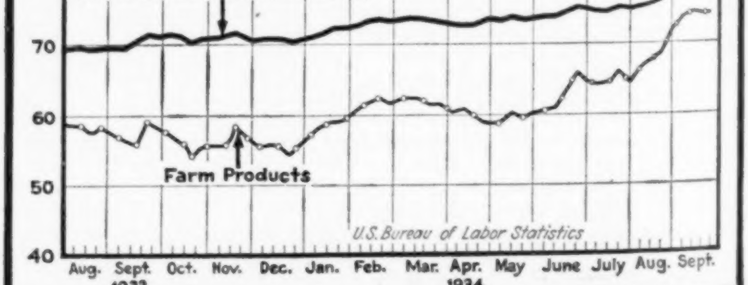
As worked out, John Smith will walk into a dealer's office in his home town, select the security he wishes to buy from an eligible list of some 600 government, foreign, corporate bonds, preferred and common stocks. He will make a down-payment ranging from 30% to 45% of the market price, pay an additional 5% of the cost (price plus commissions and taxes), as a service fee, and sign a note to pay the balance in 12 monthly instalments.

Backed by Bank

Guaranty Trust Company of New York will lend him the balance and E. A. Pierce, New York Stock Exchange firm, will transact his order. He will not be aware of this, however. His own dealer will handle the order to Pierce and his payments will be made monthly to a local bank that will transmit them to Guaranty. E. A. Pierce, one of the largest stock firms, has undoubtedly consulted Stock Exchange governors to see that it will not be transacting orders for a partial payment purchaser who is being charged "unreasonable" rates or fees. That is the only provision covering such transactions that appears in the Stock Exchange's constitution.

The down-payments were gauged to meet the minimum margins expected to be established by the Federal Reserve Board under the Securities Act and will be revised if necessary. The bank will sell the loan out if a monthly payment is not forthcoming or if the collateral value of the stock declines below the amount still due. (Collateral value will be 75% of market or any lesser basis set by the Reserve Board.)

Initially the plan is being launched through 2,000 dealers in 7 Eastern states but inquiries have poured in upon the originators from Middle West and Pacific Coast dealers to whom it will probably be extended later.



Editorially Speaking—

GENERAL JOHNSON, ironically, goes out of office at the very time when many thoughtful business men were becoming increasingly anxious to see him stay. Viewed at first as the Great Cracker-Downer, gradual disappearance of men drawn from the ranks of business into the service of NRA and the increasing influence of labor and bureaucratic groups left the General the one friend of business at headquarters. The General held the "partnership" conception of NRA from his first to his last day on the job. The General is a West Pointer. Blunt directness, drive, single-minded devotion to duty, and loyalty to his chief are soldierly qualities which commanded respect even from those who differed with him.

HORDES of shoppers swooped down on Cleveland last weekend to jam the city's business section during a 2-day "carnival of bargains." All highways, bus lines, and railways within Cleveland's shopping radius were taxed heavily by the reputedly unequalled influx of buyers. Hotels, restaurants, taxis did a land-office business. Retailers added 12,000 clerks to their regular staffs to meet the buying spree which, it is estimated, saw well over $6 millions change hands on the 2 days.

APROPOS of frequent confident predictions that the President is going to turn to the right, the new Democratic campaign handbook leads off with the famous Green Bay speech. Then, apparently encouraged by the election in Maine where federal outlays have been extensive, it follows with item after item on governmental expenditures throughout the country. And it is not until page 19 that anything is said about the cost of it all—then comes a boast about the profit on devaluation of the dollar.

THE manufacture of concrete-asphalt burial vaults has been one of our liveliest, if not cheeriest, businesses the past 2 years. Fifty new plants have begun turning them out since the 1932 bottom; many have since doubled, even tripled, their initial capacities. One company has sold 10,000 vaults annually the past 3 years. And, incidentally, you now can do some post-mortem basking in royal glory in the "American Monarch"—a new, low-priced vault. It comes a little late, that's all.

THE secretary-general of China's powerful executive council urges the members to return to horse-drawn vehicles for transportation about Nanking. Rising prices for gasoline in China have hoisted it to 91¢ (in Chinese currency) per gal. Gasoline at that price would even make many a U. S. autoist wish he had a trusty steed.

AT that, gasoline prices may be soaring in America too before many more years. A federal geological expert warns that after 1949 our oil reserve will be something you read about in history books only, if the present production rate continues. The nation's recoverable petroleum reserve is placed at 12,250 million bbl. And last year, he says, we took 905,655,800 bbl. out of the ground.

FEDERAL authorities are not inclined to interfere with the schemes of local governments to supplement tax revenues by lotteries. Sentiment which has fired such proposals in New York, Washington, and other cities is regarded as a by-product of the times. The lottery craze, incited from abroad, has been greater during the depression than at any time since the Louisiana lotteries, which precipitated federal legislation. Solicitor H. J. Donnelly (Post Office Department) estimates $700 millions is spent for tickets on foreign lotteries each year, of which $500 millions is intercepted by the postal service. The department, however, will keep hands off local lotteries so long as they steer clear of the mails. FERA Administrator Harry Hopkins opposes lotteries for raising relief funds but leaves the decision to local authorities. Such local lotteries are more likely to run afoul state than federal law, and in most cases will have faint chance against organized guardians of public morals.

GRAPEVINE tactics have enabled Chicago hotel men to give "skippers" and humbugs a run for their money, literally. An association of 34 hotel credit-managers, numbered from 1 to 34, has been set up. When a bad check case, undesirable tenant, or other suspicious incident crops up in a hotel, it is reported immediately by the credit-manager to the succeeding number, who passes the information down the line, the last one telephoning the first. Thus many a tenant, ousted from one hotel, has gone the rounds of others only to find he is blackballed, his reputation having outdistanced him.

"BEER at the Golf Club" is not a mystery story but the title of the latest in surveys, made by Modern Science Institute, Toledo. It covers golf clubs in 16 states, shows that 68.9% of them have increased their revenues since repeal by selling beer, wines, or liquor. While 62.3% serve beer, only 36.4% handle liquor, and nearly a third of all clubs will have nothing to do with either, and feel the same way about wine too.

BUSINESS WEEK

The Journal of Business News and Interpretation

SEPTEMBER 29, 1934

Leadership

Under leadership of the U. S. Chamber of Commerce, the National Association of Manufacturers, the New England Council, and the Durable Goods Industries Committee, business men of the United States are seeking to compile and then present the concrete, specific evidence that the owners and managers of business enterprises, big and little, are seriously worried over the trend of governmental policy.

Results of the New England poll, first completed, probably vary little from what a national survey of business men would show, and hence are highly significant. Examination of the returns showed a striking unanimity even in detail. The emphasis of New England's criticism of the New Deal as it affects business was distinctly not upon what has been done; it was overwhelmingly upon dread of future developments. Of those who replied to the questionnaire, 94% said they were seriously alarmed over the outlook. Above all, they insisted that some substantial assurance that business would not be further fettered, harassed, and sniped at was the greatest possible step that could be taken to restore indispensable confidence.

Unless, or until, the apprehensions of such representative men are removed, there can be little hope of recovery to normal business levels. The Administration may not know this, but it is so. Fear and discouragement among the men who are at once the country's employers and its principal consumers of durable goods are a dead weight that no recovery program can carry up the hill.

Various expressions, from Green Bay, for example, and from numerous Administration spokesmen, convey the impression that Washington is unaware of the extent of this uneasiness, or if aware how business men feel, brushes the matter aside as unimportant, compared to the undoubted radical trend still manifest among the mass of voters.

For both these reasons, the action of business organizations in making the attitude of American business men clear and emphatic is a highly intelligent move.

It is, perhaps, too early to expect the inevitable mass reaction from extremes, but it is not a bit too early to begin to try to start it. The weight of business opinion is bound to have its effect on the total of public sentiment of which it is an important part.

The important thing is leadership. Business can offer leadership in public thinking, if business itself gets good leadership in formulating its program.

Good leadership, as we see it, will recognize that there were abuses in the past for which it was not blameless. It will accept in good spirit much that has been done toward creating better rules for the game. It will recognize that change is inevitable, and even desirable.

But good business leadership will assert vigorously that the American system of private initiative and private profit must be preserved and encouraged. It must not be paralyzed by any attempt to push through in a few short months an entire remaking of the social and economic world.

Most important of all, any business leadership worthy of the name must be prepared to offer, not mere devastating criticism, sound though it may be, but constructive suggestions for alternative policies and practical means of carrying them out. To say that this Administration has only to stop doing certain things, whereupon all will be well, is to be shallow. The government has great and difficult situations to meet; it cannot meet them by not doing things; it has to take positive action. "What would *you* do?" is a perfectly fair question which business must be prepared to answer.

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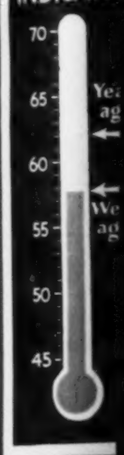

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